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CIS

GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS

HEARING

BEFORE THE

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2386

TO PROVIDE FOR THE ESTABLISHMENT OF A SYSTEM TO COLLECT DATA ON THE GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS

AND

S.J. Res. 146

TO REQUIRE THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET TO PREPARE AND TRANSMIT TO THE CONGRESS A REPORT SPECIFYING THE GEOGRAPHIC DISTRIBUTION IN THE UNITED STATES OF OUTLAYS BY THE GOVERNMENT

MAY 12, 1982

Printed for the use of the Committee on Governmental Affairs

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GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS

WEDNESDAY, MAY 12, 1982

U.S. Senate,
Subcommittee on Intergovernmental Relations,
Committee on Governmental Affairs,
Washington, D.C.

The subcommittee met at 2:05 p.m. in room 3302 Dirksen Senate Office Building, Hon. Dave Durenberger (chairman of the subcommittee), presiding.

Present: Senators Durenberger and Sasser.

OPENING STATEMENT OF SENATOR DURENBERGER

Senator Durenberger. The hearing will come to order.

Today the subcommittee is holding a hearing to consider S. 2386 and S.J. Res. 146, legislation requiring the collection of data on the geographic distribution of Federal funds. S. 2386 would establish a new system to collect, compile, distribute, and analyze information on the geographic distribution of Federal funds for each fiscal year by State, county, and city area. It would give the Comptroller General the authority to promulgate standards for the collection and reporting of this information by Federal agencies.

In addition, it would create five regional data centers to provide public policy analysis of this information. The projected cost of implementing the legislation is slightly over $2.5 million for the first 3 years.

S.J. Res. 146 requires the Director of the Office of Management and Budget to prepare and transmit to the Congress a report containing information and analysis similar to that contained in the report entitled "Geographic Distribution of Federal Funds," which will be referred to all day long as GDFF. The resolution would require the preparation of this report for fiscal year 1981 and fiscal year 1982.

Prior to fiscal year 1981, data on the distribution of Federal outlays by State, county, and large city area were combined in reports entitled "Geographic Distribution of Federal Funds," which were published annually by the Community Services Administration for the Executive Office of the President. When CSA was dismantled last year, this function was moved back into OMB. On December 14, 1981, Federal agencies were ordered by OMB not to report the GDFF data for fiscal year 1981 or subsequent years. In its place, OMB intends to use a new system entitled the Federal Assistance Awards Data System, or FAADS.

This action by OMB has caused concern that in the process of moving to FAADS, Congress and State and local governments will lose valuable information once reported in GDFF. It is this concern that led to the introduction of the legislation under consideration here today.

There have been a variety of explanations for why OMB took this action. Some have suggested that it was prompted by a desire to hide the geographical impact of budget cuts. Others have suggested it serves to hide the geographic impact of the President's New Federalism Initiatives. I personally see no evidence that either of these motives was behind OMB's action. It may, in fact, be the case that the discontinuation of GDFF was justified. This is one of the things we hope to learn in this hearing, as well as how to pronounce the acronym. [Laughter.]

My fear is not that politics of the budget prompted the OMB action, but that something more disturbing is to blame. I fear the action by OMB—justified or not—is just one example of many that can be cited which reveal a lack of understanding and a lack of institutional commitment on the part of OMB to overall statistical policy within the Federal Government.

Since 1939, with only a short hiatus between 1977 and 1981, the functions of statistical policy and coordination and of clearance of statistical reports have been performed within OMB or its predecessor, BOB. In a highly decentralized statistical system, OMB has been the focal point of statistical policy and coordination. Over the years, there has been a steady erosion of support within OMB for performing these vital functions in Democratic and Republican administrations alike.

The subcommittee saw an example of this trend, almost 1 year ago to the day, when then Deputy Director Ed Harper testified on the allocation formulas used to distribute proposed block grant funds to the States. We learned in that hearing, and in subsequent hearings, that OMB was not much interested in working with Congress to improve the formulas which allocated Federal funds

This steady erosion of support was climaxed just last week when OMB restructured its Statistical Policy Branch right out of existence At a time of unprecedented cutbacks in Federal statistical programs, one would expect the Statistical Policy Branch to take on added importance to insure the quality and the timeliness of Federal spending data. Instead, OMB has chosen to dismantle the only means the Federal Government possessed to coordinate and direct a highly decentralized statistical system.

One cannot blame those of us who look on the decision to disengage GDFF from the act with a jaundiced eye. As I said, it may be that this particular decision was the right one—that the new FAADS system will better accomplish the informational needs once served by GDFF. I hope so. But it may also be just another instance of the bureaucratic shortsightedness that has infected OMB over the years regarding statistical policy. I hope that Deputy Director Joe Wright can dissuade me of this. I must say I begin from the position of skepticism.

The text of S. 2386 [1] and S.J. Res. 146 [2] will be included in the record. In addition I will insert an article from the Washington Post [3] and another from the American Statistician magazine, which I read every week, month, whatever—[Laughter]—in which the history of Federal statistical policy is discussed and the "Report of the President's Reorganization Project for the Federal Statistical System" is summarized.[4]

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[1] See p. 80.
[2] See p. 86.
[3] See p. 91.
[4] See p. 113.

Our first witness this afternoon is our colleague, Senator Arlen Specter from Pennsylvania.

Arlen, I am glad you could make it here today. I appreciate your being our first witness.

TESTIMONY OF HON. ARLEN SPECTER, U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Thank you, Mr. Chairman.

I am delighted to be here. I commend the Chair for not only the substantive contribution of this legislation and this hearing, but also on the lightening of the day with a very delightful after lunch speech. The only criticism I would have was your failure to attend the lunch at which we were both scheduled to be [Laughter] where your remarks would have been well received by your colleagues. They gather on Wednesdays to have lunch. They would have been most interested in the delightful comments and humor which is most necessary especially in these hallowed halls.

I have a statement that, Mr. Chairman, I would wish to be made part of the record. I shall hand it to the chief clerk for inclusion with my comments. I will summarize it and get to the essential portion.

Speaking as cochairman of the Northeast-Midwest Coalition, a group of which you are a member, I regret the decision which has been made by OMB to discontinue the statistical gathering of material. Many of us believe this is very important to understand the impact on the Nation, as a whole, and on specific States and specific regions as a result of expenditures.

The study made by GAO notes the importance of these statistics, which have been gathered by the Geographic Distribution of Federal Funds, and formerly compiled and distributed by the Community Services Administration. It would be our hope that they would be maintained.

The problem is especially acute, given the cuts on the budget. It is especially acute, coming at a time when there is consideration of the New Federalism, to enable us to analyze precisely what is happening. I commended the Chair for holding these hearings on S. 2386 which is soundly based on the recommendations of the General Accounting Office.

It is my hope that this measure moves forward for speedy passage to provide Congress with the comprehensive statistical information, which it requires, at a comparatively small cost.

Thank you very much.

[The prepared statement of Senator Specter follows:]

PREPARED STATEMENT OF SENATOR SPECTER

I want to commend the distinguished chairman of this subcommittee and his colleagues for their willingness to expend time and effort on a seemingly academic, yet critical, subject. I thank my colleagues for the opportunity to testify before you today. The proposed legislation, S. 2386, authorizing the collection and reporting of data on the geographic distribution of federal funds holds particular significance for me in my role as co-chairman of the Northeast-Midwest Senate Coalition. The Northeast-Midwest Senate Coalition is a bi-partisan organization of Senators representing the 18 Northeastern and Midwestern states which seeks to inform its members of the regional implications of federal policy choices.

In this regard, the Geographic Distribution of Federal Funds (GDFF), formerly compiled and published by the Community Services Administration, served as an important source of information in tracking the flow of federal funds. The decision by the Office of Management and Budget (OMB) to discontinue this data source seriously undermines our ability as Members of Congress to make informed policy choices about federal spending priorities, creates an information gap preventing an evaluation of the affect of government spending on localities over time, and further complicates the difficult task of sorting out appropriate fiscal relationships between federal, state, and local governments as proposed under the "New Federalism."

As mundane as statistics often seem, the value of the information provided by the Geographic Distribution of Federal Funds to an understanding of the policy-making process cannot be overstated. The General Accounting Office (GAO) noted the GDFF's unique capability "of depicting a global view of federal expenditure activities." An article in the Washington Post put it more bluntly: "Everything you wanted to know about whether the Sun Belt was gaining from the Frost Belt was right there in one place." Utilizing this data base, the Congressional Research Service has calculated that:

"In Fiscal 1980, the Northeast-Midwest Region's 18 states sent $36 billion more in taxes to Washington than they got back in federal spending. My own state of Pennsylvania received 93 cents for each tax dollar paid, while Minnesota got back 86 cents on each tax dollar, and the home state of my co-chairman, Senator Riegle, ranked dead last with 68 cents.

"Over the six year period ending in fiscal 1980, the Northeast-Midwest region registered a cumulative deficit in its federal 'balance of payments' of $201 billion, while the 32 Sun Belt states enjoyed a $134 billion surplus in their collective fiscal relationship with the Federal Government."

It was alarming statistics such as these that served as an impetus for the formation of the Northeast-Midwest Coalition, underscoring my concern and that of my colleagues, that historic patterns of federal spending had exacerbated the economic decline of America's older, industrial states.

OMB has stated that the elimination of the GDFF was taken as a cost-cutting measure, because the information duplicated other federal reporting systems and was inaccurate, especially at the sub-state level. In response I would argue that OMB employed a "penny-wise, pound-foolish" strategy in conducting its cost/benefit analysis, whatever its statistical shortcomings—and here I defer to technical expertise—the General Accounting Office noted that the scope and coverage of the Geographic Distribution of Federal Funds is unmatched by any other system that is now operational. Unlike alternative data systems OMB is now considering as substitutes, only GDFF covered domestic financial assistance for 32 federal agencies, including the Departments of Defense, State, and the Agency for International Development, procurement activities, and federal salary and expense payments. Because defense spending represents the single largest component of the federal budget, its omission from alternative data systems such as the Federal Aid to States and the Federal Assistance Awards Data Systems seriously undermines their value as "tools" assessing the impact of flow of federal funds.

While I applaud the Administration's efforts to eliminate excessive reporting requirements and to improve the quality of its data collection systems, I believe the OMB decision to terminate the GDFF was unwise—especially at this critical juncture in federal, state, and local government fiscal relationships. We are now left with a gap in the data base, which GAO estimates could extend from one to three years, making it impossible to assess the affect of federal spending on state and local governments over time. This is particularly untimely given the rapid changes being instituted in federal spending policies.

The rapid implementation of the legislation before the subcommittee, S. 2386, requiring the continued reporting of the geographic distribution of federal funds becomes all the more imperative as we head into a new era of federal-state relations. Policy decisions are not made in a political vacuum. It is essential for us as policymakers to be aware of the fiscal consequences of various options presented under the "New Federalism" proposal on the states and regions we represent. Anything less would be an abrogation of our responsibilities to our respective constituencies. Information on historic patterns of federal spending will play a decisive role in shaping "New Federalism" legislation; hopefully, offering us the opportunity to redress previous inequities in the federal "balance of payments" equation.

Mr. Chairman, S. 2386 is timely, soundly based on the recommendations of GAO, and will provide Congress with the comprehensive statistical information it requires at a comparatively small cost. In closing, I want to pledge my support, and that of my colleagues in the Northeast-Midwest Senate Coalition for your bill, and to compliment you and the members of the subcommittee on your efforts to continue and to improve upon an important policymaking tool.

Senator **Durenberger.** Arlen, just one question by way of clarification. There have been some comparisons with the two systems which I mentioned. Your particular concern, and that of the coalition, is not a special attachment to the old system—GDFF—but an attachment to the need as part of the budgeting and policymaking process for adequate and reliable information. Is that correct?

Senator **Specter.** Precisely, Mr. Chairman. Our concern is that we have the information available. We are not wedded to any particular source or method of gathering it. However, we are very much concerned about an interruption, and if there is any interruption, about the length of hiatus that might be involved.

Senator **Durenberger.** Thank you very much for taking the time to appear today.

Senator **Specter.** Thank you. You are invited to lunch next Wednesday.

Senator **Durenberger.** Thank you.

Our next witness is Mr. Joseph Wright, Deputy Director of the Office of Management and Budget.

Joe, thank you for coming this afternoon. As usual your full statement will be made part of the record. You may read it or abbreviate it, or do as you please in the time allotted to you.

TESTIMONY OF JOSEPH WRIGHT, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY JAMES KELLY, DEPUTY ASSOCIATE DIRECTOR FOR INTERGOVERNMENTAL AFFAIRS, OMB

Mr. **Wright.** Thank you, Mr. Chairman.

With me as a witness is Mr. Jim Kelly, whom I believe you have met previously. He is the Deputy Associate Director for Intergovernmental Affairs at OMB.

I am pleased to be here this afternoon to discuss S. 2386 and to answer questions about the cancellation of GDFF. I appreciate your pronunciation of the GDFF acronym, Mr. Chairman. It is going to save us a lot of time this afternoon.

With your permission, I would like to submit my testimony for the record and very briefly summarize it.

Senator **Durenberger.** Without objection, it will be made part of the record.

Mr. **Wright.** To begin, we sincerely want to see that efficient ways are used to provide accurate data to State and local governments and all other users of such data. This is particularly true, Mr. Chairman, in times of budget restraint and in times of change such as the New Federalism program.

As you know, GDFF is a 53 volume report which includes about 1,800 programs by States, counties and cities where the population exceeds 25,000. It was discontinued, Mr. Chairman, because, first, it was inherently inaccurate; second, it was very expensive in our judgment; and, third, we believe it was of marginal value to the majority of the organizations receiving the report.

Mr. Chairman, I have an example of the inaccuracy which I would like to hand out and make part of the record.

[The material referred to follows:]

GDFF USER SURVEY RESULTS

[Response rate and results of usefulness questions in percent]

USER	Percent responded	Percent of responses	Usefulness of GDFF data: Very	Moderate	Slight
Summary of all levels	13	100	41	35	24
U.S. Congesss	21	6	62	31	7
Federal agencies	9	7	44	31	25
State government	8	20	59	32	10
County government	19	16	31	37	32
City government	34	17	25	37	39
Other local government	32	7	16	22	62
Regional organization	4	4	36	50	14
Other nonprofit organizations	19	15	49	38	12
Private organization	8	1	57	29	14
Other	14	7	47	45	8

Note: Total number of users indicated: 4,051 (100 percent); total number of responses received: 534 (13 percent)

CHART 1

ACCORDING TO THE 1980 GDFF FOR MICHIGAN

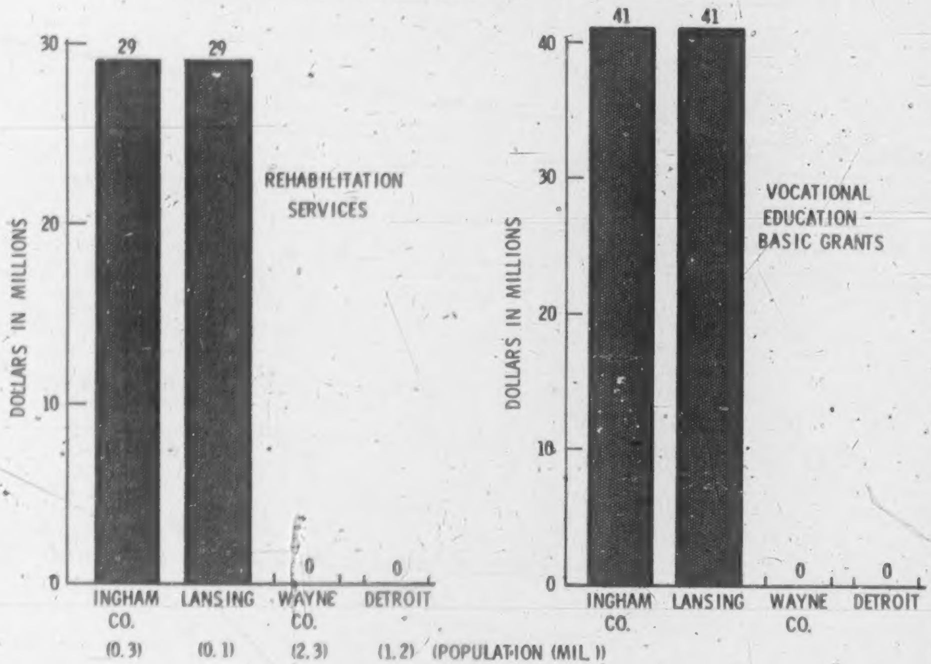
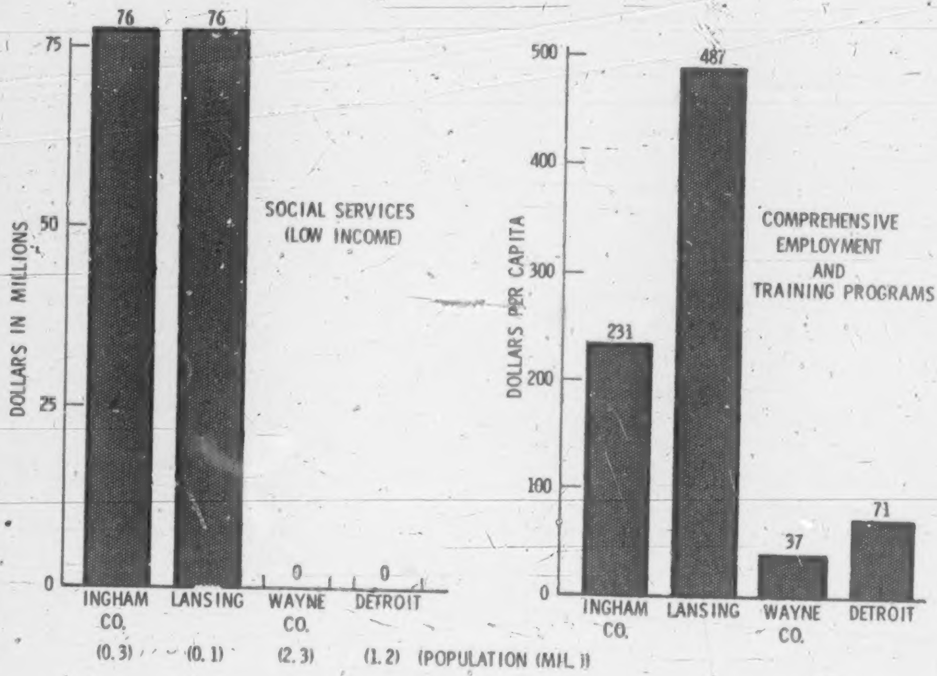


CHART 2

ACCORDING TO THE 1980 GDFF FOR MICHIGAN



Mr. WRIGHT. According to the 1980 report for Michigan, we have listed four categories of funding for Ingham County, Lansing, Wayne County, and Detroit. In chart 1 on the left-hand side for rehabilitation services, Lansing has a population, rounded off, of around 100,000 while Detroit's population, rounded off, is about 1.2 million. You will see Lansing was reported to have received $29 million in rehabilitation services while Detroit received none.

To the right you see vocational education and the basic grants. Lansing reportedly received $41 million and Detroit zero. In chart 2 on social services, Lansing reportedly received $76 million and Detroit zero. On the dollars per capita for the comprehensive employment and training programs, Lansing reportedly received $487 and Detroit $71 per capita.

Mr. Chairman, all of us know that these figures are grossly inaccurate and misleading. To continue a report that has statistics like this and which is so misleading would be, I think, irresponsible on our part.

In our opinion, the biggest problems, from an accuracy standpoint, were the combined obligations and outlays, and omissions of programing. A 1977 CBO report said that less than 25 percent of the Community Services Administration's outlays could be traced to the county level because of these and other major deficiences. For instance, it used inaccurate proration formulas for the fund allocations. In many cases, grants were identified at the State capital rather than across the State, and contracts were usually identified at the headquarter's location of the contractor rather than the actual place of performance. Mr. Chairman, this is the prime contractor, not even the subcontractor.

Despite these inaccuracies, GDFF cost about $300,000 to $350,000 last year. So, Mr. Chairman, it just did not seem to be even prudent management or prudent planning to continue the GDFF report when we believe that there is a more accurate alternative.

One, more accurate, alternative data source is the Federal Assistance Awards Data System (FAADS), which is in its second year of implementation. It provides data by primary recipient on most assistance awards that go to State and local governments. It is issued quarterly on machine readable tape to each State and to the Senate and House information systems. We believe it is inherently more accurate since it is based upon individual transactions.

In addition to FAADS, there are other reports which provide data on the distribution of Federal funds. The Census Bureau puts out a publication which identifies local government finances for 75 major standard metropolitan statistical areas (SMSAs). The Treasury Department produces an annual publication entitled "Federal Aid to States" which reports Federal assistance, by State, for approximately 120 Federal programs. The Federal Procurement Data System, which, like FAADS, is based on individual awards, provides data on Federal procurement activities. Data on Federal personnel costs are readily available through OPM.

Mr. Chairman, these systems should meet the needs of many users at a detailed program level. To further serve those who have a requirement to analyze data at the State level on a broader basis, we at OMB are currently designing a new system which will be a single report and will provide information from major categories of Federal funds aggregated at the State level, based upon outlays. We believe this system will be simpler, more accurate, will come out earlier than the GDFF did, and will cover about 85 percent of the budget. Those items which would not be included would be those where payment is not a measure of economic impact on the State.

Also, this year, for the first time, we provided advance budget information to the States in time for them to utilize it during their State legislative process. This report, entitled "Budget Information for States," contained data on the funds they could anticipate as a result of the fiscal 1983 budget. It provided a State-by-State distribution of funds for 45 major formula grant programs that account for more than 80 percent of all Federal financial assistance to State and local governments. We plan to provide this timely and accurate data again next year.

Mr. Chairman, we oppose S. 2386 for basically three reasons: It mandates GDFF which we think, again, is inaccurate, misleading, costly and of marginal value. Second, we don't believe, with the information I have mentioned, that there are gaps which this legislation would correct. Third, the bill is complex and costly to administer and can be cumbersome to manage.

In closing, I must say that we are willing to work with this committee in any way to be certain that the data we provide is accurate, timely and of value to the formulation of public policy which we think is important during these times.

Thank you, Mr. Chairman. I will be more than happy to answer any questions you may have.

Senator DURENBERGER. Let me ask you, first, some specific questions for the record.

Is that new system, the FAADS system, sufficiently operational now so that it will provide us with data which is at least as accurate in most cases and more accurate in some cases than the old GDFF system?

Mr. WRIGHT. Mr. Chairman, it is not at this time. It is still in the evolution stage. I have a document which I would like to put into the record. This shows the evolution of FAADS and its implementation schedule.

Senator DURENBERGER. It will be made part of the record.

Do you want to explain it to me?

[The information referred to follows:]

May 12, 1982

FAADS EVOLUTION

- o Feasibility test of automating assistance information awards – started 11/1978, ended 10/1980.
- o April 1980 – FAADS officially announced by OMB as a nationwide system.
- o FY 1981 – first year of full reporting for "all" agencies to 50 states.
- o Evolutionary approach.
- o 13 states now analyzing data and providing OMB feedback on data quality.

Major Improvements in FAADS	TEST	IMPLEMENTATION		
	1980 (test)	1981	1982	1983
• Planned development	(test)	40%	80%	100%
• Number of financial assistance programs covered	(~100)	356	425(est)	476(est)
• Awards reported (transactions/ quarterly)	(~5,000)	95,000	120,000	150,000(est)
• Agencies participating	10	22	24	24
Program Coverage	Selected grants to: -state/local govt. -10 states	Grants to individuals Grants to state and local Cooperative agreement Direct loans Guaranteed/insured loans Insurance programs Entitlement programs — In all 50 states & territories		

Mr. Wright. Very briefly, we believe that the FAADS will be more accurate, by far, for many of the reasons I have already mentioned. By itself it will not be as comprehensive as GDFF in total coverage, but when combined with the data on procurement and personnel which I mentioned earlier most of the data previously contained in the GDFF will still be available, at least at the State level.

We expect the FAADS to provide about 80 percent coverage by the end of this fiscal year, and 100 percent coverage in the first quarter of next fiscal year.

So we are pretty close. It looks like FAADS' development is on schedule.

Senator Durenberger. Good.

Mr. Wright. These are just projections however. At this time it is not complete.

Senator Durenberger. What is the percentage of completion right now?

Mr. Wright. We are still measuring 1981. We are probably at about 50 percent.

Senator Durenberger. Fifty percent at the present time; 80 percent by October 1; and 100 percent by the first of the year?

Mr. Wright. Yes, sir.

Senator Durenberger. Later on in this hearing I expect we will hear some statements that may not agree with those percentages on this system. They will say that the system is still very experimental and has not been adequately tested. We are not at the 50 percent of completion level.

Are those statements going to be accurate, or are they going to be in error?

Mr. Wright. Mr. Chairman, we are beyond the experimental stage. All we are doing right now is filling in the blanks.

Senator Durenberger. If I understood your answer to the question about the comprehensive nature of FAADS coverage, you need to put procurement data, personnel data and the FAADS data together. It will then be as comprehensive in its coverage as the old system. Is that right?

Mr. Wright. Yes, sir, that is right.

Senator Durenberger. Those are the only elements?

Mr. Wright. Yes.

Senator Durenberger. Who is going to pull the OPM—OPM being personnel, I presume—and the procurement data together into a single comprehensive report to which a lot of users have become accustomed?

Mr. Wright. Mr. Chairman, we don't see a need right now for that data to be pulled together into a comprehensive report. We are putting together the new system which we think will cover 85 percent of the total budget of the United States and which we believe would handle most of the planning requirements of the States. It will be easier to use and will be more accurate, because it will be based on direct outlays.

If a single report is needed, this new system which we are preparing should suffice, in our opinion. Mr. Chairman, I would like to submit for the record a comparison we have done of GDFF, the other existing systems we have discussed today, and this new system.

[The information referred to follows:]

MAJOR SYSTEMS FEATURES

	GDFF	FAADS	Personnel costs	FPDS	Federal aid to States	New system
Policy oversight	OMB	OMB	OPM	OFPP	Treasury	OMB.
Executive agent	Was CSA	Census	OPM	GSA	Treasury	To be determined.
Financial basis	Obligations/outlays	Obligations	Outlays	Obligations	Outlays—summary/ financial records.	Obligations/outlays.
Processing	Disaggregation by formula	Transaction	Transaction	Transaction	Summary financial records	Summary.
Data series	Summary financial info to State, county, and cities less than 25,000.	Awards to primary recipients.	Individual salaries/retirement costs to State level.	Procurements to prime contractor/principal place of performance.	Outlays major programs/by agency.	Summary financial data at State level; (85 percent of budget).
Computerized	Yes	Yes	Yes	Yes	No	Yes.
Frequency	Annual	Quarterly	Annual [1]	Quarterly	Annual	Annual.
Data communication	Hard copy	Computer tape or printout	Hard copy or tape	Computer printout or tape	Hard copy	Hard copy.
System costs [2]	$350,000/yr	$250,000/yr	Unknown	Unknown	Unknown	$75,000 to $100,000/yr.

[1] Data collected quarterly.

[2] Includes costs to the Executive Agent only. Unknown are total costs to agencies in generating data.

Mr. Wright. What I am saying is that we have an overlap even with this replacement system. However, it is not as bad of an overlap as has occurred in the past.

Senator Durenberger. Do you intend that OMB have a role in pulling all these sources of statistical information together at the present time?

Mr. Wright. No; I really don't, Mr. Chairman. I am very concerned we could get into the old trap of putting together a single report prepared by a single agency, like we did at CSA, which would become inaccurate simply because of the fact that we are putting together apples and oranges. I don't feel that having to go to three separate locations to get reports is too great a burden versus spending, let's say, $300,000 to $350,000 for a compilation of them.

Senator Durenberger. Doesn't OMB have use for this kind of information itself?

Mr. Wright. For our purposes, Mr. Chairman, we believe the new report will handle every data analysis or planning requirement we would need.

Senator Durenberger. I made some reference in my opening statement to the dismantling of the statistical policy branch of OMB.

Do you want to tell me why that was done? How does that affect the access of people like the chairman of the Intergovernmental Relations Subcommittee, and so forth, in getting information from OMB?

Mr. Wright. Mr. Chairman, I don't think it will restrict the access one bit. We still plan to fulfill our major obligations and responsibilities in terms of Federal statistical policy and planning at OMB.

I do have an explanation which will be released tomorrow, that I would also like to give to you to insert into the record.

Senator Durenberger. It will be made part of the record.

["Background Information on the Organization of the Office of Information and Regulatory Affairs" and "OIRA Priority Statistical Policy Functions" follow:]

Background Information on the Organization of the Office of Information and Regulatory Affairs

During the past year OIRA has had three "management branches" and two "analysis branches." The management branches have been responsible for administering the review and clearance machinery for federal forms, regulations, and information collections under the Paperwork Reduction Act of 1980 and Executive Order 12291. These branches have also been responsible for telecommunications, ADP, and other information-policy responsibilities under the PRAct—with the sole exception of statistical policy. The two analysis branches have been responsible for statistical policy under the PRAct, for economic analysis of major rulemakings under the Executive Order, and for developing legislative and administrative policy initiatives under both the PRAct and the Executive Order.

OIRA's three management branches are:

Regulatory Policy, consisting of a branch chief and 10 desk officers, covering the major regulation-issuing departments and agencies.

Reports Management, consisting of a branch chief and 9 desk officers, covering the departments and agencies imposing the largest paperwork burdens, and preparing the annual Information Collection Budget. A sub-unit within this branch is responsible for the Federal Information Locator System.

Information Policy, consisting of a branch chief and 7 desk officers, covering the major communications and information-processing departments and agencies. This branch is responsible for supervising of Information Resources Management reviews.

The two analysis branches are:

Regulatory Analysis, consisting of a branch chief and 13 analysts and research associates, responsible for reviewing economic assessments of agency regulations and for developing administrative and legislative policy initiatives.

Statistical Policy, consisting of a branch chief and 10 analysts, responsible for coordination, standard-setting, and related statistical functions under the PRAct.

OIRA is making the following organizational changes this week:

Three economic analysts will be transferred from Regulatory Analysis to desk officer positions in our management branches. In their new positions, covering Agriculture, the communications agencies, and Treasury and the bank supervisory agencies, these individuals will add important new strength to our work on regulatory and paperwork-reduction issues of growing importance.

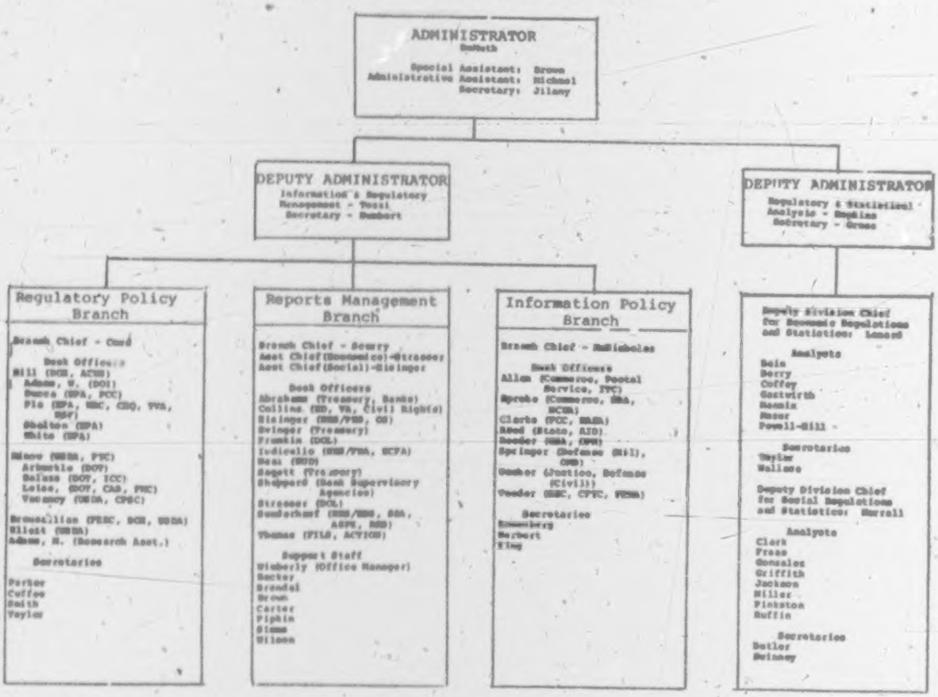
Four statisticians will be transferred from Statistical Policy to desk officer positions in our management branches. In their new positions, covering Commerce, HHS, Labor, and Treasury, these individuals will bring statistical skills and experience to the front lines of our work with the major statistical agencies for the first time since OIRA was established. They will strengthen our implementation of other policies of the PRAct and Executive Order as well.

The Regulatory Analysis and Statistical Policy branches will be consolidated into a new Regulatory and Statistical Analysis Division, reporting directly to one of OIRA's Deputy Administrators. This consolidation will promote greater flexibility and accountability in discharging our planning, analytical, and legislative responsibilities.

A new OIRA organization chart reflecting these changes (and a few secondary changes made to accommodate them) is attached.

Effective May 10, 1982

OFFICE OF INFORMATION AND REGULATORY AFFAIRS



OIRA Priority Statistical Policy Functions

1. *Uniformity.* Comparability among federal statistics is essential for policy making and program management within the government and for a variety of private uses. OIRA will maintain, and as necessary revise, uniform statistical definitions, standards, and classifications. These include industrial, regional, and occupational standards such as the SIC and SMSAs; statistical base periods and data release dates; and similar standards published in the Statistical Policy Handbook.

2. *Quality.* Maintaining and improving the utility of federal statistics often require that the actions of several agencies be coordinated. OIRA will oversee the review of statistical policy issues that either require the cooperative effort of several agencies, or affect policy making or program management in several agencies. These include:

A. Periodic redesign of household surveys to improve major statistical series, such as the Current Population Survey, Consumer Expenditure Survey, and National Crime Survey.

B. Periodic revisions to the Consumer Price Index, Leading Indicators, and other basic measures.

C. Improving the measurement of poverty and income distribution.

D. Improving statistical analysis in regulatory decision making and program management.

3. *Efficiency.* The benefits of statistical information must be balanced against the costs of data collection in both government outlays and private reporting burdens. OIRA will promote greater efficiency in the collection and use of general statistics among federal agencies by:

A. Promoting greater exchange of "microdata" among statistical agencies under strict confidentiality protections.

B. Promoting improvement and greater access to common reporting units, such as the standard statistical establishment list.

C. Promoting increased use of administrative records data for general statistical purposes.

D. Promoting the testing and application of less burdensome techniques of data collection and processing, such as computer assisted telephone interviews and other appropriate uses of modern technology.

E. Eliminating duplicative data collections.

4. *Accessibility.* Federal statistics are often as valuable to the private sector as to the federal government itself. OIRA will:

A. Promote increased use of charges for data collection and dissemination where this will enhance the scope and detail of available statistics.

B. Promote increased reliance on computer and telecommunications technologies to make federal statistics more widely and rapidly accessible.

Mr. WRIGHT. As to how we will be handling our responsibilities in terms of fiscal policy, analysis, formulation, and oversight and what the reorganization really consists of, I am afraid that this has been a little bit misunderstood. They think that what we are doing, apparently, is abandoning our responsibilities. Quite the contrary, Mr. Chairman. I believe that we are putting them in the right perspective and will be able to handle them much better.

Senator DURENBERGER. For the benefit of the other witnesses who will be testifying later, is there a way for you to summarize that?

I intended to ask you some questions about the denigration of statistics-based policymaking when you send this whole FAADS system from OMB down to Census, as I understand you are proposing to do. I guess my worry is that Census may not have the same clout with agencies as OMB would have in terms of insuring some integrity in the gathering of statistics. Perhaps you covered that and related issues in the exhibit you are introducing. You might summarize it for us.

Mr. WRIGHT. Yes, sir, Mr. Chairman.

First of all, the Census Bureau will have the same clout because OMB will be maintaining their policy oversight responsibility which I believe fits within the charter of OMB. In addition, I believe that the FAADS will be strengthened because it is being developed and operated by an agency where that is the primary job. That is, collecting, analyzing, and disseminating statistics. They do it very well. As a matter of fact, they do it better than OMB does. I believe it will strengthen the system. From a clout standpoint, we will assure that they have it by maintaining our policy oversight responsibilities, and by assisting them with agency liaison activities.

Senator DURENBERGER. It seems to me there is a difference between collecting information from households around the country and enforcing the collection of accurate data out of Federal agencies.

I guess I am not comfortable with the assumption that Census necessarily has the clout to gather the kind of information that people need.

I am also concerned that you mentioned the oversight role that OMB will play. Isn't it a fact that there is only one person in OMB spending any time, and that is part-time, on the FAADS process right now?

Mr. WRIGHT. Yes, Mr. Chairman, that is correct. But, again, if the OMB role is not one of preparing the FAADS data but is one of overall policy formulation and oversight to make sure that system development and accurate and timely agency data submissions occur, we feel that is sufficient resources. If it is not sufficient resources, we will add to it.

Senator DURENBERGER. When do you expect to be able to make that determination—once the system gets up and going?

Mr. WRIGHT. Well, sir, we are fairly well along, as I mentioned earlier, in the development of FAADS. I would say that if we have problems in it, we will know by the end of this fiscal year or, at the latest, the first quarter of next fiscal year.

Senator DURENBERGER. I can look at this selfishly in terms of policymaking and unselfishly in terms of all the other people out there who want to be part of the policymaking process.

It is very difficult to get statistical information out of OMB, as I said in my opening statement. Over the last year, we have been working on the design of an appropriate vehicle for the New Federalism. It has been very difficult for those who have been part of the negotiating process, particularly on the swaps part of the New Federalism, to get good information out of OMB. One might say that OMB is busy balancing the budget and they don't have time to provide statistics to Senators, Governors and others. Or one might say that OMB doesn't really care that much about statistics because they are getting rid of the responsibility, maintaining only a part-time oversight.

I guess somehow I need you to assure me that the desire for accurate information at OMB has grown rather than going in the other direction, since it is implicit in the fact that we have difficulty.

It doesn't seem as though these statistics are very important to OMB. However, they are terribly important in order to convince people out there that what you are doing is the right thing to do.

I don't mean the simple business of no winners, no losers and so forth. I mean the fact that people who are part of a changing system need to see what is happening as the process changes. They need to know in what way programs will impact on them.

Nobody relies 100 percent on statistics anyway. But a good set of statistics, which has some integrity to it, certainly gives you an indication that if you will push in here, something comes out there. That is the kind of thing we have been looking for in this subcommittee for a long time.

I am just articulating a real concern that we have: That OMB doesn't seem to think it is all that important.

Mr. WRIGHT. Mr. Chairman, if I may respectfully disagree with you on several points: First of all, the relationship that we have with agencies—such as the Bureau of the Census or the Bureau of Labor Statistics and others—is one that is very similar to the one we are establishing with FAADS, where we have overall policy oversight responsibilities. We are not the ones who are actually doing the collecting and disseminating of the statistics. So we are going more into our normal responsibilities of oversight rather than operations.

Second, I would say the Bureau of the Census, as I mentioned before, probably has one of the most prestigious reputations in terms of the accuracy of their statistics. So we are putting it in a home where I think it will be better taken care of and will be a higher quality report.

Third, OMB is very sensitive to providing information, particularly now during the New Federalism proposals. As I mentioned earlier, we did provide not only the new budget information to the States, but also some additional information to them earlier this this year. This included the swap and turnback programs which were individually calculated by the agencies responsible for administering the programs. We also provided fiscal 1979, 1980, and 1981 data for each program to the States, showing the percentage of total program dollars allocated to each State. These were then averaged and the average percentage was used to allocate each State's share of every program being considered for turning back in the swap.

The base or national total used was then to be extracted from the expected fiscal 1984 President's budget. These data were made available to several Members of Congress and to representatives of the State and local governments who are involved in the New Federalism development discussions being held by the White House.

So we were aware of the need for these data. Once again, not only did we provide the budget information to the States, but we took this additional step. We will continue to do that if further data are required on the New Federalism proposals.

Senator DURENBERGER. Where did that information come from?

Mr. WRIGHT. From each one of the agencies who are responsible for the programs. We compiled it and then disseminated it.

Senator DURENBERGER. I think I understand the nature of that kind of data. I want to just make sure the record is clear on the problems we have been having. Our problems initially arose a year ago when we were dealing with 160-some different allocation formulas that are used.

This was spurred, at least on my part, by the frustration of working with the Medicaid formula last year. It ranked the District of Columbia way down near the bottom because of the per capita squared formula, for example, with Mississippi appropriately at the top.

In trying to get behind all of these various formulas, we kept running up against rather substantial roadblocks within the OMB system. The question is whether or not the information was there or whether people just have other priorities in terms of providing that kind of information to us.

Mr. WRIGHT. I am sorry, Mr. Chairman. I missed the last part of that.

Senator **Durenberger**. Maybe Mr. Kelly, who was here last year at that time, can respond. Your predecessor was unable to respond—which didn't reflect adversely on him at that time because he has since been promoted. Maybe Mr. Kelly has some specific concerns as it relates to this system. You know what we are looking for.

Do you have a reaction to what our problem is?

Mr. **Kelly**. Mr. Chairman, I think the problem that you expressed is one which, as I understand it, had two dimensions: First, that there were a lot of formulas, and they may or may not be the proper allocation tools; and, second, the data bases on which the agencies who administer the formula draw may not be kept current. As a consequence, even if you had the right allocation equation, you may not have the most up-to-date components of that because the data are sometimes as much as 10 years old.

As I understood it, those were the principal concerns. The fact that that process needed to be managed across the executive branch was the concern that you were expressing to Ed Harper. As I recall, the position which he took at that time was taken in the context of the new block grant proposals. The major issue raised was whether or not we wanted to undertake new calculations or the development of new formulas for each and every one of the six block grants the administration had proposed.

Our position from the beginning, with respect to the distribution of moneys in the new block grants, was that predictability and assurance to the States for those programs which were included in the block grants was most important. As a consequence, rather than develop the new allocation techniques, we would carry forward for at least the first year the same distribution of funds as the States received for those programs in the previous year.

I think at that time we indicated that, as we got some experience with the block grants and had a better understanding of the manner in which the States were actually using the programs, we would consider, with you, whether or not there was a need to allocate those funds in any other way. I do know that in response to statutory requirements, HHS is undertaking some activity, and so is GAO with respect to evaluating the current formulas and the need for the development of new allocation techniques.

I still feel, as we felt then, that we should allow some time to go by in which the States have some experience in operating under current allocations, rather than determine changes are needed already. I think our feeling is we should wait, at least through this first year of State operations, to determine how those formulas, or, if you will, continuity provisions which we based the initial distributions on, have worked out.

The GAO study, I understand, will probably be available late this fall. We are following the HHS efforts on this, also. However, I am unsure when this report is expected. At this point in time, I think we still would suggest that it wou'd be prudent to wait a little longer to determine if the existing formula issued for the block grants poses any problems.

Senator **Durenberger**. Part of my concern is that OMB may have had some doubts about the reliability of the information. I now have this in front of me just as an example of your concerns. At least I attribute it to that. Perhaps part of your reluctance to move too quickly was a concern about the reliability of the information.

What efforts have you undertaken to better manage these various formulas over the last 12 to 15 months?

Mr. KELLY. In the sense of making a comprehensive effort to do a better job of managing that process, we have not undertaken such an effort. What we have done instead is work with the two organizations that are analyzing the existing distribution for block grants. We are also attempting to get on top of all of the other programs which are allocated by formula.

As you know, even in that discussion last year, most of the witnesses weren't sure exactly how many grant programs were even allocated by formula. Since that time we have examined all of the programs listed in the Catalog of Domestic Assistance for which fund allocations are made by formula. I have with me a list of all these from our recent catalog submission. They are identified by catalog number. I would like to submit this list for the record.

[The list referred to follows:]

CATALOG OF FEDERAL DOMESTIC ASSISTANCE
FORMULA GRANT PROGRAMS

PROGRAM NUMBER	PROGRAM TITLE	FY 81 OBL (THOUSANDS)	FY 82 OBL (THOUSANDS)
10.202	COOPERATIVE FORESTRY RESEARCH	10451	11913
10.203	PAYMENTS TO AGRICULTURAL EXPERIMENT STATIONS UNDER HATCH ACT	125000	142455
10.204	RURAL DEVELOPMENT RESEARCH	0	0
10.205	PAYMENTS TO 1890 LAND-GRANT COLLEGES AND TUSKEGEE INSTITUTE	18692	21332
10.207	ANIMAL HEALTH AND DISEASE RESEARCH	6240	0
10.500	COOPERATIVE EXTENSION SERVICE	292269	317378
10.501	HIGHER EDUCATION_LAND-GRANT COLLEGES AND UNIVERSITIES	11500	0
10.550	FOOD DISTRIBUTION	10110	10900
10.553	SCHOOL BREAKFAST PROGRAM	321000	239500
10.554	EQUIPMENT ASSISTANCE FOR SCHOOL FOOD SERVICE PROGRAMS	15000	0
10.555	NATIONAL SCHOOL LUNCH PROGRAM	2385573	1772400
10.556	SPECIAL MILK PROGRAM FOR CHILDREN	118800	29500
10.557	SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	940900	699510
10.558	CHILD CARE FOOD PROGRAM	290500	242000
10.559	SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	121700	0
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	38226	44538
10.561	STATE ADMINISTRATIVE MATCHING GRANTS FOR FOOD STAMP PROGRAM	468800	502100
10.564	NUTRITION EDUCATION AND TRAINING PROGRAM	15000	0
10.565	COMMODITY SUPPLEMENTAL FOOD PROGRAM	27040	21600
10.654	COOPERATIVE FORESTRY ASSISTANCE	73116	68630
10.665	SCHOOLS AND ROADS_GRANTS TO STATES	233600	232200
10.666	SCHOOLS AND ROADS_GRANTS TO COUNTIES	6722	5463
10.667	SCHOOL FUNDS_GRANTS TO ARIZONA	161	254
10.668	ADDITIONAL LANDS_GRANTS TO MINNESOTA	712	712
11.407	COMMERCIAL FISHERIES RESEARCH AND DEVELOPMENT	7500	0
11.421	COASTAL ENERGY IMPACT PROGRAM_FORMULA GRANTS	28712	0
13.210	HEALTH INCENTIVE GRANTS FOR COMPREHENSIVE PUBLIC HEALTH SERVICES	9000	NI
13.211	CRIPPLED CHILDREN'S SERVICES	105700	NI
13.232	MATERNAL AND CHILD HEALTH SERVICES	234885	NI
13.257	ALCOHOL FORMULA GRANTS	20000	NI
13.269	DRUG ABUSE PREVENTION FORMULA GRANTS	12000	0
13.386	NURSING CAPITATION GRANTS	9900	0
13.628	CHILD ABUSE AND NEGLECT PREVENTION AND TREATMENT	22928	NI
13.630	ADMINISTRATION ON DEVELOPMENTAL DISABILITIES_BASIC SUPPORT AND ADVOCACY GRANTS	49448	NI
13.633	SPECIAL PROGRAMS FOR THE AGING_TITLE III PARTS A AND B GRANTS FOR SOCIAL SERVICES AND CENTERS	274148	NI
13.635	SPECIAL PROGRAMS FOR THE AGING_TITLE III PART C_NUTRITION SERVICES	350000	NI
13.642	SOCIAL SERVICES FOR LOW INCOME AND PUBLIC ASSISTANCE RECIPIENTS	2916100	NI
13.644	SOCIAL SERVICES TRAINING GRANTS_TITLE XX	75000	NI
13.645	CHILD WELFARE SERVICES_STATE GRANTS	163550	NI
13.646	WORK INCENTIVE PROGRAM	350960	350760
13.659	ADOPTION ASSISTANCE	5000	NI
13.679	CHILD SUPPORT ENFORCEMENT	416000	458000
13.714	MEDICAL ASSISTANCE PROGRAM	18080625	19357001
13.775	STATE MEDICAID FRAUD CONTROL UNITS	28400	43099
13.777	STATE HEALTH CARE PROVIDERS SURVEY CERTIFICATION	64400	50665
13.808	ASSISTANCE PAYMENTS_MAINTENANCE ASSISTANCE	6878565	7003603
13.810	ASSISTANCE PAYMENTS_STATE AND LOCAL TRAINING	27700	30700
13.816	LOW INCOME HOME ENERGY ASSISTANCE PROGRAM	1850000	NI
14.218	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	2658544	2524200
14.228	COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM	0	1082

CATALOG OF FEDERAL DOMESTIC ASSISTANCE
FORMULA GRANT PROGRAMS

PROGRAM NUMBER	PROGRAM TITLE	FY 81 OBL (THOUSANDS)	FY 82 OBL (THOUSANDS)
15.252	ABANDONED MINE LAND RECLAMATION PROGRAM	89170	70000
15.605	FISH RESTORATION	37000	34170
15.611	WILDLIFE RESTORATION	103000	101700
15.951	WATER RESOURCES RESEARCH AND TECHNOLOGY_ASSISTANCE TO STATE INSTITUTES	6210	NI
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION_ALLOCATION TO STATES	63750	NI
17.207	EMPLOYMENT SERVICE	802400	729000
17.225	UNEMPLOYMENT INSURANCE	3818000	2041700
17.230	MIGRANT AND SEASONAL FARMWORKERS	83225	83910
17.232	COMPREHENSIVE EMPLOYMENT AND TRAINING PROGRAMS	3939169	1116648
17.234	EMPLOYMENT AND TRAINING_INDIANS AND NATIVE AMERICANS	80975	81643
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	77100	277100
20.205	HIGHWAY PLANNING AND CONSTRUCTION	8950000	8300000
20.308	LOCAL RAIL SERVICE ASSISTANCE	47200	0
20.507	URBAN MASS TRANSPORTATION CAPITAL AND OPERATING ASSISTANCE FORMULA GRANTS	1530000	1530000
20.509	PUBLIC TRANSPORTATION FOR NONURBANIZED AREAS	110000	100000
20.600	STATE AND COMMUNITY HIGHWAY SAFETY	188998	77000
20.700	GAS PIPELINE SAFETY	3082	3618
21.300	STATE AND LOCAL GOVERNMENT FISCAL ASSISTANCE_GENERAL REVENUE SHARING	4566700	4566700
45.007	PROMOTION OF THE ARTS_STATE PROGRAM/PARTNERSHIP COORDINATION	23598	11600
64.014	VETERANS STATE DOMICILIARY CARE	13002	13738
64.015	VETERANS STATE NURSING HOME CARE	26642	27481
64.016	VETERANS STATE HOSPITAL CARE	4966	4986
65.001	WATER RESOURCES PLANNING	6748	0
66.419	WATER POLLUTION CONTROL_STATE AND INTERSTATE PROGRAM GRANTS	51230	51200
66.438	CONSTRUCTION MANAGEMENT ASSISTANCE GRANTS	121261	132713
66.451	HAZARDOUS WASTE MANAGEMENT PROGRAM SUPPORT GRANTS	30000	41700
81.041	STATE ENERGY CONSERVATION	37000	0
81.043	SUPPLEMENTAL STATE ENERGY CONSERVATION	10000	0
81.050	ENERGY EXTENSION SERVICE	20000	0
81.052	ENERGY CONSERVATION FOR INSTITUTIONAL BUILDINGS	81000	100000
83.200	EMERGENCY MANAGEMENT ASSISTANCE	37112	43940
83.403	TRAINING AND EDUCATION FIELD DEPLOYMENT	3700	8535
84.002	ADULT EDUCATION_STATE-ADMINISTERED PROGRAM	100000	96000
84.009	PROGRAM FOR EDUCATION OF HANDICAPPED CHILDREN IN STATE OPERATED OR SUPPORTED SCHOOLS	144636	152625
84.010	EDUCATIONALLY DEPRIVED CHILDREN_LOCAL EDUCATIONAL AGENCIES	2729518	2611387
84.011	MIGRANT EDUCATION_BASIC STATE FORMULA GRANT PROGRAM	259040	303000
84.012	EDUCATIONALLY DEPRIVED CHILDREN_STATE ADMINISTRATION	48319	33930
84.013	EDUCATIONALLY DEPRIVED CHILDREN IN STATE ADMINISTERED INSTITUTIONS SERVING NEGLECTED OR DELINQUENT CHILDREN	32339	33975
84.027	HANDICAPPED PRESCHOOL AND SCHOOL PROGRAMS	899500	899500
84.034	PUBLIC LIBRARY SERVICES	62500	46875
84.035	INTERLIBRARY COOPERATION	12000	12000
84.041	SCHOOL ASSISTANCE IN FEDERALLY AFFECTED AREAS_MAINTENANCE AND OPERATION	706750	455000
84.043	STRENGTHENING STATE EDUCATIONAL AGENCY MANAGEMENT	42075	NI
84.046	CONTINUING EDUCATION OUTREACH_STATE ADMINISTERED PROGRAM	NI	NI
84.048	VOCATIONAL EDUCATION_BASIC GRANTS TO STATES	518139	NI
84.049	VOCATIONAL EDUCATION_CONSUMER AND HOMEMAKING EDUCATION	30347	NI
84.050	VOCATIONAL EDUCATION_PROGRAM IMPROVEMENT AND SUPPORTIVE SERVICE	93323	NI
84.052	VOCATIONAL EDUCATION_SPECIAL PROGRAMS FOR THE DISADVANTAGED	14954	NI
84.053	VOCATIONAL EDUCATION_STATE ADVISORY COUNCILS	6500	NI
84.060	INDIAN EDUCATION_ENTITLEMENT GRANTS TO LOCAL EDUCATIONAL AGENCIES AND TRIBAL SCHOOLS	53518	52520

CATALOG OF FEDERAL DOMESTIC ASSISTANCE
FORMULA GRANT PROGRAMS

PROGRAM NUMBER	PROGRAM TITLE	FY 81 OBL (THOUSANDS)	FY 82 OBL (THOUSANDS)
84.068	INDOCHINA REFUGEE CHILDREN ASSISTANCE	0	0
84.069	GRANTS TO STATES FOR STATE STUDENT INCENTIVES	76750	76750
84.088	INSTRUCTIONAL MATERIALS AND SCHOOL LIBRARY RESOURCES	161000	NI
84.089	IMPROVEMENT IN LOCAL EDUCATIONAL PRACTICE	66130	NI
84.104	CAREER EDUCATION STATE ALLOTMENT PROGRAM	9364	NI
84.105	BASIC SKILLS IMPROVEMENT	31500	NI
84.121	VOCATIONAL EDUCATION STATE PLANNING AND EVALUATION	3738	NI
84.126	REHABILITATION SERVICES BASIC SUPPORT	854259	654875
84.146	TRANSITION PROGRAM FOR REFUGEE CHILDREN	44268	21000
	*** TOTAL ***	72132882	59240014

Mr. **Kelly**. We also have the listing of all of the agencies that maintained the bases for those formulas and who the individual is in each agency responsible for maintaining that data base.

We have been, if you will, fact gathering in this area. We have been trying to get a better understanding of what is the total population of formula and trying to determine what is the status of the data bases which are used in each one. We have not yet undertaken any major centralized management effort to identify or correct any problems in the existing situation. We continue to rely on each agency to do so at this time.

Senator **Durenberger**. Thank you very much for your testimony and your responses to the questions.

Mr. **Wright**. Thank you, Mr. Chairman.

[Mr. Wright's prepared statement and responses to written questions submitted by Senator Sasser follow:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FOR RELEASE ON DELIVERY
Expected at 2:00 p.m.
Wednesday, May 12, 1982

STATEMENT OF JOSEPH WRIGHT
DEPUTY DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET BEFORE THE SENATE SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS, COMMITTEE ON GOVERNMENTAL AFFAIRS ON S. 2386 (GDFF)

Mr. Chairman, I am pleased to be here this afternoon to discuss S. 2386 which would mandate and specify the reporting on a geographic basis, the distribution of Federal funds. I would like to respond to the concerns you raised in the letter inviting our testimony which included questions about our cancellation of the Geographic Distribution of Federal Funds (GDFF), the gaps in the data and how the cancellation impacts state and local governments ability to prepare for the New Federalism Initiative.

We remain committed to providing efficient, timely and accurate Federal assistance data to state and local governments and all other users. State and local governments need access to accurate and timely information on Federal assistance programs both for state planning and budgeting purposes. They also need reliable information to analyze and administer the new block grants they are now managing and to prepare for assuming even greater responsibilities under the swap and turnback proposals included in the President's Federalism Initiative.

Periods of fiscal restraint provide us with the opportunity to review carefully the use of our Federal resources and to refine the data systems to ensure they are providing the most accurate and timely data possible. In FY 1981 OMB did an in-depth study of all of the assistance information systems we oversee. This recent assessment of these systems is not the first that we have undertaken. In fact, reviews of these various systems producing information on Federal assistance, including the GDFF, were conducted as far back as the early seventies. Our recent review, which made use of data collected in past studies, was particularly beneficial in identifying both short and long-range changes that were necessary to provide better information to state and local governments on federal assistance. It was out of this recent review that the specific decision came to terminate the GDFF.

GDFF Data Systems

The GDFF was a 53 volume report (one volume for each state, the District of Columbia, the territories, and a summary) that reported the geographic distribution of Federal funds for approximately 1,800 programs by state, county, and cities (using proration techniques) where the population exceeds 25,000. In 1980, 550 copies of the full 53 volume report were printed and distributed to Congress, state and local governments, and many other recipients. In addition, numerous copies of individual state reports or sections of these were printed and distributed virtually free of charge to approximately 1,200 libraries, regional planning bodies, state and local government officials and others. OMB provided policy oversight and the Community Services Administration (CSA) served as Executive Agent to produce the report. When CSA was abolished in October of 1981, by the Omnibus Budget Reconciliation Act of 1981, the decision was made to discontinue CSA's functions in producing the GDFF information.

The GDFF was discontinued because it was inherently inaccurate, very expensive, and, in our judgement, of marginal value to the majority of the organizations receiving the reports. In addition, it was determined that better data could be made available to Congress and the public through existing and alternative sources currently under development.

Let me reiterate the major problems that existed in GDFF:

o Inaccuracy -- The GDFF was inaccurate, mainly at the substate level.

-- Program Coverage--The total obligations by account for the GDFF differed substantially (for many accounts) from those in the budget. Many accounts were simply never reported. A thorough analysis of how many accounts differed was attempted by OMB in 1981, but was not completed because of the complexities of comparing the two computerized data bases. Enough work was done to know that the differences between the GDFF and the budget, for the actual year data, were substantial. In August 1977, the Congressional Budget Office published a report entitled, "Troubled Local Economies and the Distribution of Federal Dollars," which relied heavily on GDFF data, with particular emphasis on the substate level. The CBO reported that "less than one fourth ($79.2 billion) of the total outlays reported by the Community Services Administration could be traced to the county level using agency accounting records."

-- Substate Disaggregation -- There were two sources of inaccuracy in disaggregating the data. Some grant funds to states were shown as staying in the county where the state capitol is located when it is known that subgrantees actually administer the program. For other grant funds, those that were distributed below the state level, they were frequently calculated by inaccurate proration methods which were based on techniques that do not reflect the actual basis for distribution of program funds. In most cases, these proration techniques also used standard data bases that were frequently many years old.

o Expenses -- The GDFF cost about $350,000 last year for central staff, facilities and an indeterminate amount within the agencies. The deficiencies in the GDFF data made it undesirable to continue expenditures of these funds, especially in a period of budget restraint.

More Accurate Alternative Sources of Data Currently in Existence

The Federal Assistance Awards Data System (FAADS), now in its second year of implementation, provides data, by primary recipient, on most assistance awards that go to state and local governments. The information is distributed quarterly to states and Congress through computer tapes or computer printouts.

FAADS is a system based on individual grant transactions. For each transaction reported, the system includes detailed information concerning the purpose of a grant, amount of grant, location of the recipient and congressional district. Because it is a transaction based system, states and others can aggregate the data in a way most useful for their own analytical purposes.

FAADS is inherently more accurate than GDFF. It avoids distributing total dollars through questionable statistical formulas that cannot be validated.

The states and the Congress are using FAADS to track Federal assistance funds. Some have stated that the flexibility this system offers in analyzing assistance information by county, city, and other combinations, aids them in their planning and budgeting.

In addition to FAADS, there are reports by the Treasury Department, and the Bureau of the Census that provide data on the state distribution of Federal funds. For example:

-- Census puts out an annual publication that identifies local government finances for 75 Major Standard Metropolitan Statistical Areas (cities and counties). This document includes grant-in-aid to these areas.

-- Treasury produces an annual publication entitled, Federal Aid to States, which lists grants to states and localities by state, for about 120 Federal programs. This is a very accurate source of data as it is reconciled with the budget each year.

-- In addition to the reporting of Federal assistance information, GDFF included Federal procurement and personnel costs. A more accurate and timely report on procurement data is available through the Federal Procurement Data System. This system, like FAADS, is based on individual awards and therefore is more versatile and inherently more accurate than the procurement data provided by GDFF. Data on Federal personnel costs are readily available through the Office of Personnel Management.

Proposal for a System to Replace GDFF

The previously described systems, currently underway, will meet the need of many users especially those with a requirement to focus on the transactional level or detailed program level. We are currently designing a new system to serve those who have requirements to analyze data on a broader basis at the state level. This system will provide, in a single report, information for major categories of Federal funds aggregated at the state level.

Our proposal for a system to replace the GDFF would be simpler and would come out more promptly than the GDFF. This new system would include data by state and would cover most of the budget. The items not included would be those that conceptually are not appropriate for this kind of report and the very small programs that make up only a small portion of the budget. Many of these programs were also not included in the GDFF reports.

Budget items excluded from analysis in this system would include such things as interest on the public debt, offsetting receipts, and other items where the payment is not a measure of economic impact on the state to which the payment is made. These items would account for about 10% of the budget. Very small items would be excluded because of the complexities and cost of collecting the data. For example, the 1983 Budget showed there were 16 temporary study commissions. All expenses of these and other small programs would not be included. We estimate that these items would make up about 5% of the budget.

Data would be compiled only at the state level. It is our firm belief that it is not possible at the national level to produce reliable data for smaller geographic areas, the counties and cities.

The alternative document would cover about 85% of total expenditures and would include:

-- Defense procurement (as measured by prime contract awards), operations and maintenance, research, development, testing and evaluation activities, and payments for defense civilian, military, and retired personnel.

-- Most direct payments to individuals, such as social security, medicare, civilian retirement programs, unemployment compensation, food stamps, and others.

-- Grants to states and local governments as reported in "Federal Aid to States," published by the Treasury Department.

-- Other large programs or categories where data are available, such as NASA, Corps of Engineers, and nondefense Federal personnel.

This alternative document could probably be released four or five months after the end of the fiscal year, whereas the GDFF came out more than (6) months after the fiscal year.

We believe this alternative approach would meet most of the needs formerly met by the GDFF for users who analyze data in aggregate forms at the state level. FAADS would provide city and county data on assistance awards made directly to that level and would meet most of the needs of local governments.

Another Improvement in Information for State and Local Governments

I would also like to take a moment to share with the Committee another improvement in information systems that is helpful to the states.

This year, for the first time, we provided advance budget information to the states in time for them to utilize it during their legislative process. This advance information, in contrast to the historical reporting discussed earlier, was particularly well received and we expect to make this a permanent report.

The report Budget Information for States (BIS) contained data on the funds they could anticipate as a result of the President's FY 83 budget. It includes a state-by-state distribution of funds for 45 major formula grant programs that account for more than 80% of Federal financial assistance to state and local governments. The feedback we received from states to date, is that it has provided them with valuable information to use in their planning and budgeting process. We strongly believe that, to the extent practical, we should continue to provide this kind of information to the states. Therefore, we plan to provide this timely and accurate data again next year.

Comments on S.2386

Now, let me turn to a discussion of the legislation before this Committee today. The Administration opposes S.2386 for a number of reasons:

-- The bill could result in mandating the reinstitution of the GDFF, a system which I hope we have convinced you is inherently an inaccurate and unnecessarily costly system of marginal value.

- -- The legislation is unnecessary because existing and planned systems fully address the data needs as we see them. There are no gaps in information that this legislation would correct.
- -- The bill provides a complex and costly administrative structure which will be cumbersome and difficult to manage. It would mix legislative and executive branch authorities. It requires involvement by GAO, an Executive Agent to operate the system, and possibly an additional agency to contract with five regional data centers, whose involvement lacks specificity.

In summary, the Administration cannot support S. 2386, legislation that would mandate a system for the reporting on the geographic distribution of federal funds. We would like to continue to work with the Committee to assure the development of systems that provide accurate, timely and valuable information that can be used in the formulation of public policy.

Thank you. I would be pleased to answer questions.

RESPONSES TO QUESTIONS SUBMITTED BY SENATOR SASSER FOR INCLUSION IN THE WRITTEN RECORD OF THE MAY 12, 1982 HEARING ON S. 2386 AND S.J. RES. 146

1. Question: Professor Tom Anton of the University of Michigan found an 80-85 percent match between account-to-account outlays reported in the Geographic Distribution of Federal Funds information system and the 1980 expenditures reported in the Appendix to the U.S. Budget for 1982. He also found that complaints "about the data quality in GDFF reports tend to be exaggerated."

Would you please tell the Subcommittee what criteria OMB used to evaluate the usefulness of the GDFF information system? Can you make your study available to the Subcommittee?

Would you comment on Professor Anton's method of matching account-to-account outlays reported by GDFF with 1980 expenditures reported in the Appendix to the Budget for 1982? This seems to be a valid procedure for ascertaining accuracy.

Answer: Professor Anton has not furnished any information on his study to OMB. We are therefore not in a position to comment on his methodology and specific results.

In general, however, it should be understood that the primary inaccuracies in the GDFF report were in the data that purported to show spending in specific localities. This flaw is critical because the main purpose of GDFF was to provide reliable data for local areas. GDFF failed to do so.

It is conceivable that one could track, with a fair degree of accuracy, total amounts reported in the GDFF with specific program totals in the budget. This in no way would prove that the allocation among counties or cities was accurate. The charts presented with our testimony clearly demonstrated that the funds were not properly allocated and that the report contained gross errors.

The GDFF report was evaluated, along with a number of other reports, in an internal OMB study of the usefulness of the federal assistance information systems. The conclusions of this study provided the basis for Mr. Wright's testimony before the Subcommittee.

One of the factors considered in the evaluation of the GDFF report was a users survey conducted in conjunction with distribution of the FY 1980 report. OMB recognized that the GDFF report was inaccurate and inadequate due to inherent design flaws and sought direct views of users by including a survey form with the report. The survey responses disclosed that the report was only of moderate or slight use to those users who are in the best position to evaluate the quality of the local area data--county, city, and other local government officials. Because this view reinforced our own serious reservations about the data, the decision was made to discontinue the GDFF report.

2. Question: Professor Anton, in his prepared testimony before the Subcommittee, mentioned a questionnaire survey conducted by OMB of the users of the Geographic Distribution of Federal Funds information system. Professor Anton recommended that the results of that survey might give the Subcommittee some idea of the demand --- and utility of --- the GDFF data.

Answer: A summary of the responses received to the GDFF Users Survey is attached.

3. Question: In your prepared testimony, you state that OMB contemplates a new information system (in addition to FAADS) which would comprehensively report data to the states that previously was covered under GDFF. How does this prevent the problem of duplication and overlap that David Stockman mentioned to me in the hearing on New Federalism held by the Governmental Affairs Committee earlier this year? If you have FAADS, then why is this additional system necessary? When do you think the newest system will be fully operational?

Answer: The new system would not be duplicative. It will use data that are already available, but will combine them into a single report. Data that will be compiled include those in "Federal Aid to States," published by the Treasury Department, and data already collected by the Department of Defense. The Geographic Distribution of Federal Funds did not use data available from other published sources--it was a separate, duplicate system itself.

The new system is necessary because the Federal Assistance Award Data System includes only financial assistance programs--grants, direct payments, loans, loan guarantees, and insurance--and does not include federal procurement, wages, and salaries, or federal employee retirement benefits. The new system will be comprehensive and cover both assistance as well as these other payments. It will show data at the state level only.

The new system should be fully operational early in 1983.

GDFF USER SURVEY RESULTS

(Response Rate and Results of
Usefulness Questions in Percent)

USER (Percent Responded)	% of Responses	USEFULNESS OF GDFF DATA		
		Very %	Moderate %	Slight %
Summary of All Levels(13%)	100	41	35	24
U.S. Congress (21%)	6	62	31	7
Federal Agencies (9%)	7	44	31	25
State Government (8%)	20	59	32	10
County Government (19%)	16	31	37	32
City Government (34%)	17	25	37	39
Other Local Government (32%)	7	16	22	62
Regional Organization (4%)	4	36	50	14
Other Non-Profit Organizations (19%)	15	49	38	12
Private Organization (8%)	1	57	29	14
Other (14%)	7	47	45	8

Senator DURENBERGER. Our next witness this afternoon is Shirley Kallek, Associate Director for Economic Areas, Bureau of the Census, U.S. Department of Commerce. Ms. Kallek, I understand you are here to tell us everything we ever wanted to know about FAADS. I appreciate your willingness to appear before the subcommittee today.

TESTIMONY OF SHIRLEY KALLEK, ASSOCIATE DIRECTOR FOR ECONOMIC AREAS, BUREAU OF THE CENSUS, DEPARTMENT OF COMMERCE, ACCOMPANIED BY JOHN COLEMAN, CHIEF, GOVERNMENTS DIVISION

Ms. KALLEK. We are delighted, sir, to appear before you. I am accompanied by Mr. John Coleman, who is Chief of our Governments Division.

Senator DURENBERGER. We may need to get that mike a little closer to you. I do want to be told everything I have ever wanted to know. [Laughter.]

Ms. KALLEK. We do appreciate the opportunity to testify before this subcommittee regarding the Federal Assistance Award Data Systems—FAADS, as we call it. It may be useful to look at where FAADS has been, where it stands now, and where we, the Census Bureau, hope to take it.

FAADS was established by the Office of Management and Budget in fiscal year 1981 as a uniform system for reporting information on Federal Government financial assistance transactions. FAADS was designed to cover all domestic financial assistance programs—including grants and payments to State and local governments, or their agencies; direct, guaranteed, and insured loans for individuals, small businesses, or other qualified recipients; direct payments for a specified use, such as subsidies; direct payments, primarily to individuals, for an unrestricted use, such as social security or veterans' benefits; and insurance programs, such as flood insurance.

The Community Services Administration, acting as executive agent, worked with OMB during fiscal year 1981 to develop and operate the system. In December 1981, OMB designated the Census Bureau as executive agent to operate FAADS. The General Services Administration was assigned responsibility for maintaining FAADS during the transitional period until we could assume operational control beginning with the second quarter of fiscal year 1982.

What have we done in the few months since being designated as the executive agent for FAADS?

First, we have implemented a computer program to edit and correct some errors that had been identified from a review of the fiscal year 1981 product.

Second, we have designed, and are designing, a series of programs to facilitate the review and processing of the data received from the various Federal agencies. We have written additional programs which enhance the ability of FAADS users to read and interpret the computer printouts which are provided for those users who desire this medium. Approximately 60 percent of the present users of FAADS want computer tapes while 40 percent request computer printouts.

Third, we have revised the user's guide for fiscal year 1982 to reflect the changes we have made in the system. The guide lists the 22 major

Federal agencies which are currently reporting in FAADS. It also identifies the smaller nonparticipating agencies that we will be working with in the near future to bring into the system.

All agencies administering major assistance programs are already reporting in the system, although some of these agencies have not yet brought all of their programs on line. We are, of course, working to increase the coverage.

The initial funding in fiscal year 1982 permitted us to begin to improve the system and to process only two quarters of the data. The additional funding of $250,000 for fiscal year 1983 will permit us to process the data for the entire four quarters.

Additionally, we plan to go into the Federal agencies to review how the raw data are put together on the computer tapes which they send us. We want to be sure that the procedures and methodology employed at that stage of processing by the agencies do not introduce errors into the data which cannot be easily detected in the later stages of review.

Further, we intend to make a concerted effort to increase the comprehensiveness of the coverage—to bring into the system those assistance programs that, to date, have been excluded. We also plan to develop a capability to meet special requests from users.

Finally, we must create and maintain support systems such as the current listing of the Federal domestic assistance programs and congressional district geographic codes in order to process the basic assistance data.

We understand the importance of having accurate, timely, and comprehensive data available covering the Federal assistance programs which are undergoing substantial change.

In summary, we will approach the FAADS program as we do all of our statistical efforts. We will apply all of our analytical, technical, and processing capabilities to continue to improve the quality and timing of the FAADS system.

Thank you, Mr. Chairman.

Senator DURENBERGER. Thank you.

I was with you until you got to the end, when you said something to the effect that the way you were going to approach FAADS in the way you approach all your other business. [Laughter.]

Unfortunately, the Census Bureau always gets criticized for its errors and never gets appropriate credit for the incredible undertaking that it does successfully.

Let me ask you a couple of questions that I had asked Mr. Wright which are fundamental to the trustworthiness of this new system. I understood him to say that the FAADS system has gone way beyond the experimental stage. It is a proven system. It is now up 50 percent. It will be up 80 percent by the end of the fiscal year, and up 100 percent by the first of the year. I understood him to imply a great deal of confidence in the fact that it is superior to the old GDFF system.

I would like your own personal analysis of the accuracy of this new system.

Ms. KALLEK. We, of course, Mr. Chairman, are most pleased to be involved in FAADS. We feel that it fits in very nicely with our Government statistics programs. It enhances the data we already are collecting. We believe that we have the ability to compile and edit data better than most other agencies because most other agencies are not statistical agencies.

We have reviewed the first quarter tapes which were put together by CSA. We have noted some errors. We have been able, in a short time, to write into our computer programs edits that we hope will catch these errors. We will be working closely with other Government agencies. We find that there is cooperation and there always has been cooperation among the various agencies. We believe we will continue to receive such cooperation.

Senator DURENBERGER. You have covered a bunch of my questions.

How about the accuracy of the current system? Are you familiar enough with the FAADS system so you can tell me if it is 100 percent accurate, or 90 percent, or 80 percent, or 70 or something?

Ms. KALLEK. My answer, sir, is that, in all of our evaluation programs at the Bureau, we never find anything that is 100 percent accurate.

Are we, in effect, satisfied with the information? No, we do believe, however, that over the next year the additional edits which we will be introducing will improve the accuracy of the data.

As to the data that we have received for the second quarter of 1982, perhaps Mr. Coleman can address that particular question since it is his division that has been reviewing the information.

Senator DURENBERGER. Do you want to comment on that, Mr. Coleman?

Mr. COLEMAN. I do not think it is any secret that there are errors in the first quarter data, and there will be errors in the second quarter data. I am really quite optimistic, however, that by the time we get into fiscal 1983, many of the errors will be eliminated.

We have already taken steps to correct many of the errors that we have uncovered to date. I think it is much easier working with 20 or 30 Federal agencies than working with the 80,000 local governments and the 50 State governments to collect data as we have for many years. I may be overly optimistic, but I really believe that this is going to be a much easier project, bringing these data to the standard of quality which is needed, than we experience in collecting data from the 80,000 State and local governments.

Senator DURENBERGER. Let me ask you the question which I asked Mr. Wright relating to the comprehensive nature of the FAADS program. A lot of farmers are going broke in Minnesota. I inquired about the Farmers Home Administration, for example, and I was told that they are not currently reporting.

Are there gaps currently in the FAADS system?

Mr. COLEMAN. There are gaps, but I think from a dollar point of view we have a very large percentage of assistance awards. This is the area we are looking into.

When we receive the second quarter of 1982 data, we will cross-check it against other data available at the Census Bureau to see just what level of dollar volume is being reported. I do not worry about whether we will be able to bring it to a very high level of coverage, particularly from an overall dollar volume point of view. Some of the small assistance activities may be incomplete for awhile.

Senator DURENBERGER. I expressed in my opening statement and questions some concern about how much people in the administration really care these days about statistics. I know the President uses them very well. [Laughter.]

Whether or not there is a feeling that statistics as a part of policymaking is really important is part of the concern which I have tried to express here. This leads me to worry about things like adequate budgeting for personnel and for all of these other things. Maybe, Ms. Kallek, you can assure me that, from a budgetary standpoint, you have all of the tools needed in the Census Bureau to take on this FAADS system. If you can, I would appreciate your doing so.

Ms. KALLEK. Yes, sir; we have the tools. The administration has requested funding of $250,000 in fiscal year 1983 for this program. That, of course, requires congressional approval. We believe that that amount will be sufficient for us to carry out this project.

Senator DURENBERGER. Whom do you work with at OMB on the FAADS process?

Ms. KALLEK. With Mr. Kelly and Mr. Nelson, who are in the Intergovernmental Affairs Division.

Senator DURENBERGER. Do you see a great deal of concern expressed by them for utilization of this information and making sure that you are doing a good job with it and that you have all of the tools which you need?

Mr. COLEMAN. Yes. I think the cooperation between the two groups has been exceptionally fine. There have been a number of meetings. The user's guide has been published. This guide is actually a joint effort by OMB and the Census Bureau.

I have no problems with our relationship with OMB on this particular project.

Senator DURENBERGER. Have they made the offer that you can use them to club recalcitrant agencies over the head, and so forth?

Ms. KALLEK. When we collect data, we do not collect it through coercion. We collect it through cooperation. That is the only way you can collect good data.

Senator DURENBERGER. If your cooperation with agencies is like mine, I would rather you change your policy. [Laughter.] I thank you.

You have a challenging undertaking. I think from the testimony we may hear the rest of the afternoon, you will find that there are people with a lot of concern about how well you do and a lot of people looking over your shoulders in the process.

We appreciate you undertaking this task.

Ms. KALLEK. Thank you.

We certainly appreciate the concerns as expressed by other groups. We hope to work very closely with these groups to allay their concerns.

Thank you, sir.

Senator DURENBERGER. Thank you very much.

[Response to written question submitted by Senator Sasser follows:]

RESPONSE TO WRITTEN QUESTION SUBMITTED BY SENATOR SASSER

Question. The Office of Management and Budget and the Bureau of the Census seem to be placing a great deal of faith in the reports of the Federal Assistance Awards Data System which is to be "on line" in 1983. As I understand it, FAADS is a developing rather than an established system.

A Michigan Department of Commerce Report states the opinion that: "At this time" (October 1981) "FAADS data have been released for three quarters and are of limited accuracy and completeness. They, therefore, should not be utilized."

Would you please comment? It appears that users of the information in FAADS find that the reporting varies among agencies. That is, there is no standard reporting format and that affects the quality and dependability of the data. What method does the Census Bureau plan to use to whip the agencies into line on their reporting of data? How are these reports to be evaluated as to their completeness and accuracy?

Answer. During the three quarters referred to in which FAADS data have been released with inaccurate statistics and some lack of completeness, there was an evident need for improvement. This has been a primary objective in the Census Bureau's program for the project, to edit the data reported in order to ensure the accuracy of the reports, and to obtain more complete reporting by agencies in the program.

There is a standard format for reporting FAADS data to the Census Bureau. This format is detailed in the *Reporting Instructions* for fiscal year 1982. Each agency is required to report according to these Instructions. Moreover, the Census Bureau has taken the approach that every data element of all FAADS records is subject to review. To this end, we have developed an extensive computer edit procedure and follow up with a manual edit of the data. We then work with the reporting agencies to correct problems before creation of the quarterly government-wide FAADS report.

Standard format also exists for the data output. Users are provided with a User's Guide, as well as the previously mentioned analysis of agency compliance every quarter. We encourage users to contact us if any questions or problems arise.

FAADS was introduced in fiscal year 1981. As with any new information program, certain problems in reporting and processing the data are not unusual. This is particularly true of information systems that contain as much volume and detail as does FAADS. Users of the data have acknowledged a steady improvement in the reporting each quarter.

Senator Durenberger. Our next witness is Mr. Harry S. Havens, Assistant Comptroller General for Program Evaluation from the General Accounting Office.

Harry, we welcome you. We have your statement which will be made part of the record. You are free to abbreviate it in any way you see fit.

TESTIMONY OF HARRY S. HAVENS, ASSISTANT COMPTROLLER GENERAL FOR PROGRAM EVALUATION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JOHN LUKE, GROUP DIRECTOR, PROGRAM ANALYSIS DIVISION, AND KEN HUNTER, ASSOCIATE DIRECTOR

Mr. Havens. Thank you, Mr. Chairman.

First, I would like to introduce my colleagues. On my right is Mr. John Luke, Group Director of the Program Analysis Division. John is responsible for program and budget information services. On my left is Mr. Ken Hunter, Associate Director for the Program Analysis Division. Ken is responsible for budget information.

In the interest of time, and in view of the fact that you have already been told all you want to know about GDFF, I will skip over some of the background material in my formal statement and proceed to an assessment of where we are now and where we believe we can go. We believe the absence of the GDFF information during the development of other executive branch systems will cause a short-term gap of 1 to 3 years in meeting information needs of the Congress and others.

Furthermore, we are not convinced that the other systems can meet the information needs of the Congress and others, assuming that S. 2386 is enacted as a statement of those needs.

The information gap is caused by the abrupt shutdown of the GDFF information system before alternative sources of comparable data are available. As a result, not only are the data currently not available for analytical purposes, but the effect of Federal spending over time can no longer be assessed.

With regard to the longer-term information needs of the Congress, existing executive systems do not currently provide the scope, accessibility and systematic distribution of geographic data which we believe are needed and would be called for in the bill. Information sources maintained and planned by the executive branch have the potential of filling some of the requirements. The Federal Procurement Data System captures geographic data on procurement activities. The "Federal Aid to States" publication provides data on grants-in-aid to State and local governments. The Federal Assistance Awards Data System—FAADS—will include data on all financial assistance programs including grants, direct payments, loans, loan guarantees, and insurance.

We are startled to hear that the Farmers Home Administration is excluded.

Collectively, these sources have the potential to capture, maintain, and report a significant amount of information addressed in the proposed legislation. However, independently, none of them will be capable of providing the Government-wide view of Federal spending.

For a user to compile the needed Government-wide perspective, it would require combining data from two or more sources. Not only is this process inefficient, it risks errors because of double-counting or gaps.

A long-term information strategy is needed to adequately address the information needs of the Congress, the executive branch, and State and local government officials. S. 2386 would establish the framework for such a strategy. It calls for a systematic and comprehensive approach for compiling data on geographic distribution of all Federal funds.

However, to implement this approach, several practical issues must be addressed.

One such issue is the relationship between the system proposed in the bill and those that already exist, or are being developed in the executive branch. If the system called for in S. 2386 were established and the executive branch were to also continue operating FAADS, FPDS, and FAS information sources, some unnecessary overlap and redundancy would exist.

Therefore, in the long run, opportunities should be explored to maintain comprehensive and quality geographic information through a consolidated and streamlined executive branch system. In the short term, however, it is necessary to continue to meet the information needs of the policy officials.

In summary, the elimination of GDFF has created a short-term gap in the availability of comprehensive information on the geographic distribution of Federal funds. We believe the enactment of S. 2386 would facilitate solving this problem in the long term.

That concludes our statement. We would be happy to respond to any questions you may have.

Senator **DURENBERGER**. Thank you.

I appreciate the summary of your statement. I am left wondering how we might change S. 2386, of which I am a cosponsor principally because of my position on this subcommittee.

I think I know what we lost by way of information with the old GDFF system, and I believe I know what we are going to gain with the FAADS system. It would appear to me that all S. 2386 does on top of that is establish these five regional centers.

How would the standards which GAO might promulgate differ from what is presently being done in the Census Bureau and OMB?

Mr. HAVENS. The focus we would try to put on it, Mr. Chairman, would be to push toward standardization of data among various systems and to push for the integration of systems in such a way that they can operate for a wide variety of users relatively efficiently. I think this is a continuing problem of information systems which policy officials, such as yourself, need to access, but must access in varying ways and from varying entry points. It is very difficult for a user to work with data coming from several systems that do not have a common language, common terminology, common definitions, or common data elements so that they can be combined in a reasonably efficient way.

Senator DURENBERGER. Is that the problem we get with FAADS with some in the Census Bureau, some in OPM, and then the separate procurement information?

Mr. HAVENS. That is certainly a potential problem. I have not looked at the OPM data on personnel. It was a problem with the GDFF system, that differing agencies supplying data to the executive agent were supplying it on different bases. It did introduce inaccuracies. Mr. Wright's example of some of the distortions that arose, some of the misleading elements of data, are quite accurate. Those were problems with GDFF.

Those who were accustomed to using GDFF over a period of years, I think, recognized the nature of those biases or misleading bits of information and could adjust for them. But they should not have been there.

We believe that with a more standardized approach to the terminology and the structure of the information system, and particularly to the establishment of more common data elements, it would be possible to resolve some of these problems.

Senator DURENBERGER. How good do you feel about the Census Bureau's involvement in this process? We have been told during the last hour or so that those of us who do not use statistics except to prove a point, but don't understand how to gather them, can really rely on the Census Bureau because they love them. I mean, it is a real turn-on for Census to play with statistics. [Laughter.] They use a variety of ways to get that feeling, but they end up with a much better job—[laughter]—than anybody else in the Government.

From the standpoint of the concerns which you have expressed here about the failure to mesh systems, and so forth, do you think it was a good decision to move the FAADS part of this process into Census?

Mr. HAVENS. In terms of technical ability to produce highly credible data, I have no reservations whatever about the Census Bureau. I believe that they are, along with the Bureau of Labor Statistics, two of the most reliable statistical agencies in the world.

The only concern I would have about it would be the question of policy attention being devoted to that system. I believe that is a concern you share. Census will do very, very well what Census is asked to do, what it is charged to do. If there are inaccuracies in the data, you can be sure that Census will do its level best to solve them. I have no qualms about that at all. The priority given to the issue is not something that Census can determine, however. In the absence of very clear executive branch concern coupled, I would add, with very clear congressional concern, it will be very difficult for Census to muster the resources and the cooperation from other agencies necessary to assure the quality of data that you wish.

Senator DURENBERGER. If Senator Sasser were here, he would probably have some questions for you. In his absence I might just reserve the opportunity for him to submit some questions to you.

Mr. HAVENS. We would be more than pleased to answer them.

Senator DURENBERGER. Thank you very much for your testimony.

Mr. HAVENS. Thank you, sir.

[Mr. Havens' prepared statement and responses to written questions submitted by Senator Sasser follow:]

United States General Accounting Office
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Statement of

Harry S. Havens

Assistant Comptroller General for Program Evaluation

before the

Subcommittee on Intergovernmental Relations,

Committee on Governmental Affairs

United States Senate

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to present our views on S. 2386, a bill which calls for the establishment of a system to collect data on the geographic distribution of Federal funds. Specifically, this bill would:

--Direct the GAO to promulgate standards, procedures, and guidelines for collecting data on the geographic distribution of Federal funds; and monitor the executive agencies adherence to the same, and

--Direct the President to designate a Federal agency to establish and maintain an information system on the geographic distribution of Federal funds and to compile and generate reports for users which include the regional data analysis centers which would be established pursuant to this bill.

We have worked closely with members of your staff and those of Senators Riegle and Sasser to develop this legislative proposal.

We believe that geographic data on revenues, obligations, outlays, and related information is useful in assessing program results and impacts. Historically, Congress, the executive branch, and others have used this type of information in a variety of policy deliberations.

As a result, we are of the opinion that a need exists for a high quality government-wide information system on the geographic distribution of Federal funds. Such an information base is especially needed in today's environment of rapid change in intergovernmental relationships.

From the late 1960s until 1980 a system called the Geographic Distribution of Federal Funds (GDFF) was operated by the executive branch to capture and report Federal agency obligations by geographic areas. It reported data from more than 30 major Federal agencies, including the Departments of Defense and State and the Agency for International Development as well as the domestic assistance agencies. The system covered: (1) domestic financial assistance programs, (2) procurement activities, and (3) salary and expense payments to Federal employees. Given the system's scope and coverage, notwithstanding some of its known imperfections, it had been used as a significant resource for several years in assessing the regional impact of Federal spending.

In December 1981, OMB decided to dispense with the GDFF but proceed with the development and refinement of other executive systems of this nature, particularly, the Federal Assistance Awards Data System (FAADS). OMB has taken the position that information needs previously met through the GDFF can be met through other existing executive branch information sources without significant disruptions.

We believe that the absence of the GDFF information system, during the development and refinement of other executive branch systems, will cause a short-term gap (1 to 3 years) in meeting information needs of the Congress and others. Furthermore, we are not convinced that the other systems can meet the information needs of the Congress and others in the manner intended by S. 2386.

The information gap is caused by the abrupt shutdown of the GDFF information system before alternative sources of comparable data are available. As a result, not only are the data currently not available for analytical purposes, but the effect of Federal spending over time can no longer be assessed. With regard to the longer-term information needs of the Congress, existing executive systems do not currently provide the scope, accessibility, and systematic distribution of geograhic data which we believe are needed, and which would be called for in this bill.

Information sources maintained and planned by the executive branch have the potential of fulfilling some of these requirements. The Federal Procurement Data System (FPDS) captures geographic data on federal procurement activities. The Federal Aid to States (FAS) publication provides data on grants-in-aid to State and local governments. The Federal Assistance Awards Data System (FAADS) will include data on all financial assistance programs including grants, direct payments, loans, loan guarantees, and insurance.

Collectively these sources have the potential to capture, maintain, and report a significant amount of the information addressed in the proposed legislation. However, independently, none of them will be capable of providing a government-wide view of Federal spending. For a user to compile the needed government-wide perspective would require combining data from two or more sources. Not only is this process inefficient, it risks errors because of double counting or gaps.

A long-term information strategy is needed to adequately address the information needs of the Congress, the executive branch, and State and local government officials. S. 2386 would establish the framework for such a strategy. It calls for a systematic and comprehensive approach for compiling data on the geographic distribution of all Federal funds.

However, to implement this approach several practical issues must be addressed. One such issue is the relationship between the system proposed in the bill and those that already exist or are being develop in the executive branch. If the system called for in this bill were established, and the executive branch were to also continue operating the FAADS, FPDS, and FAS information sources, some unnecessary overlap and redundancy would exist.

Therefore, in the long-term, opportunities should be explored to maintain comprehensive and quality geographic information through consolidated and streamlined executive branch systems. In the short-term, however, it is necessary to continue to meet the information needs of policy officials.

In summary, the elimination of the GDFF has created a short-term gap in the availability of comprehensive information on the geographic distribution of Federal funds. We believe the enactment of S. 2386 would facilitate solving this problem over the longer term.

That concludes our statement. We would be pleased to answer any questions you may have.

RESPONSES TO WRITTEN QUESTIONS SUBMITTED BY SENATOR SASSER

Question 1. The Subcommittee heard testimony on May 12 about the Federal Assistance Awards Data System which will be ready next year. A Michigan Department of Commerce Report states the opinion that: "At this point in time," (meaning October 1981) "FAADS data have been released for three quarters and are of limited accuracy and completeness. They, therefore, should not be utilized."

Has the General Accounting Office also sampled the FAADS reports currently being released? Do you consider them as inaccurate and incomplete as the Michigan Commerce Department does? Would you comment on whether you think these reports can be relied upon now as a source of data on Federal assistance awards?

Answer. GAO has not reviewed in detail the financial data contained in FAADS, but we have reviewed and monitored the development of the system. Currently, FAADS is in the implementation stage and will not become fully operational until sometime during calendar year 1983. As a result, the system's data does lack completeness and accuracy due in part to the newness of the reporting requirements and the varied agency response to them. Additionally, in discussions with OMB we found while all Federal agencies are reporting financial data to FAADS at this time, not all are reporting on the full range of their domestic activities. Since the system is incomplete, we feel FAADS should not be used as a primary source for data on Federal assistance awards at this time. However, when the system becomes fully operational in 1983—if used in conjunction with other information systems such as the Federal Procurement Data System (FPDS)—much of the same Federal assistance data found in the Geographic Distribution of Federal Funds (GDFF) information system can be captured and reported. An exception to this is data on salary and expense payments to Federal employees and on portions of the Department of Defense. Even though FAADS will not present an overall view of Federal expenditure activities like the GDFF, it will probably provide a more accurate and complete set of data in the specific area of domestic assistance awards.

Question 2. In a letter to the Governmental Affairs Committee, the former Deputy Director of OMB, Ed Harper, stated that: "reliable data on Federal spending at the county and city level can (not) be produced on a comprehensive basis at any cost and we would not attempt to do so."

Does the General Accounting Office agree with Mr. Harper's statement about the unreliability of data on Federal spending at the city and county level? Does the GAO have suggestions about how this substate reporting could be improved?

Answer. GAO is aware of the concerns expressed about the reliability of data gathered on Federal spending at the city and county level, especially those concerns raised in regard to the Geographic Distribution of Federal Funds (GDFF) information system. There were limitations in the usefulness of the GDFF data, one being a data accuracy problem. This problem in part can be attributed to the estimation techniques used in the GDFF information system. Under this system, agencies' records reflected total obligations or outlays. As a result, estimation techniques were employed in order to arrive at local level data. Obviously with a great deal of estimating being done to develop local level data, the absoluteness of the values arrived at became suspect. However, two other similar information systems, the Federal Procurement Data System (FPDS) and the Federal Assistance Awards Data System (FAADS), are taking a different data gathering approach to obtain information at the recipient level. These systems collect data at the recipient level and develop data from the bottom up rather than the top down approach used by GDFF. We feel this approach would provide a more accurate and complete data set than did GDFF, and should therefore make data on Federal spending at the local level more reliable.

Senator DURENBERGER. The next witness is Prof. Thomas Anton, professor of political science and public policy from the University of Michigan.

Tom, welcome to the subcommittee. We have your rather extensive statement which we appreciate. It will be made a part of the record of this hearing.

Perhaps the epilog, or whatever is attached, will be made part of the file, rather than the printed record, if that is appropriate. If it is an essential part of your statement, we will make it part of the record of this hearing, also.[1] You may proceed to abbreviate your testimony.

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[1] See p. 93.

TESTIMONY OF THOMAS J. ANTON, PROFESSOR, UNIVERSITY OF MICHIGAN, INSTITUTE FOR SOCIAL RESEARCH

Mr. ANTON. Thank you, Senator.

I bring warm greetings from a former colleague of yours, Mr. Bob Stein, dean of the University of Minnesota Law School, who works on a committee with me. I do appreciate this opportunity to discuss two pieces of legislation that I think are very important.

My interest in this is somewhat different from that of previous witnesses. In briefly summarizing my testimony, I will try to indicate what the more important differences are.

Senator DURENBERGER. Can you pull your mike up?

Mr. ANTON. Let me try to be clear about where I am coming from, as they say.

As I indicate in my statement, I have been involved in trying to understand governmental expenditures for roughly the last 20 years. Several years ago I joined several colleagues at the University of Michigan in a large-scale project designed to understand the impact of general revenue sharing. Difficulties we experienced in that work led me to organize an effort designed to try to get better information about where the Federal Government spends its money. So for the past 3 years, supported initially by HUD and later on by the National Science Foundation, I have been working to develop what I believe many of the speakers today and people in this room are interested in having—namely, a single comprehensive source of information about where the Federal Government spends its money.

When we looked at the alternative data sources available to do that, we decided that all of the existing systems, with the exception of GDFF—FAADS and FATSLG; I talk this language which many people may not believe is English; FATSLG is Federal Aid to State and Local Governments—those systems are all much less comprehensive.

If you listen carefully to the testimony, you will discover that other witnesses, too, recognize that alternative data systems have many serious problems. We, therefore, chose to work with GDFF. We did so, I think, on good grounds, because it is the only comprehensive Federal information available. It is the only base upon which an improved system might be built.

In doing so, we were very conscious of the data set, but we were also conscious of the need. I believe everyone here today has indicated that there is a need for a comprehensive system. I point out in my statement that, to me, the best evidence of that need is that this kind of a system is in fact being used today, here in this city and across the country, to elaborate the issues raised by the New Federalism. When we talk about swap or turnback, we are talking in precisely the terms which are provided by the GDFF information system. That is, we are talking about programs. The information in that system is both program specific and jurisdiction specific down to county and local units of government.

That need, I think, has been met in a much better way than other people today have suggested. I believe that it is probably not entirely fair to the system to produce a graph showing the two or three programs which distributed funds inaccurately. If you look in our epilog, you will note that that was one of the problems which we discovered. We have a recommendation in that epilog for dealing with precisely that difficulty.

When we used that system to try to illuminate questions of State receipts of Federal money, or county receipts, we were much more optimistic about the quality of the numbers. First of all, the system covers 80 percent of the budget. Second, when we break out those numbers into State and county jurisdiction, realizing that there were problems about the accuracy of some jurisdiction reports, we discovered that those numbers appeared to be much more reasonable and realistic than some previous speakers have suggested.

Because the charge of inaccuracy is probably overstated, I believe that GDFF solves one immediate problem very well. That is, it provides an information base for intelligent discussion of the New Federalism. More importantly, it provides an option, an opportunity I should say, for the entire country, as well as the people in Washington, to develop a common language for talking about Federalism issues which will not be subverted constantly by everyone's separate data systems based on separate compilations of data and data files.

Inability to agree on the facts seems to me to be a natural result of the fragmented systems we now have. It also seems to me that a system of fragmented and divergent data bases discourages intelligent policymaking. Because a more comprehensive system can improve policymaking and also because we have had so much experience working with this system, it seems to me that it, or something very much like it, ought to be continued. For that reason, I strongly support this legislation.

Let me just add a stronger word about the idea of five regional data centers, which strikes me as a very good idea. Right now we don't have many people working hard on this system, as you have been able to establish today. I believe that if we were to establish five regional data systems, we would automatically create a system of competition in which, precisely because these regional data centers would be working toward the interests of a particular region, there would be a strong incentive to show how one region or another is advantaged or disadvantaged by a program.

It seems to me that that in itself would be a very, very strong stimulus to improving the data system as people argue intelligently about what number should be included where and for what reasons. I think that is a very important part of this legislation. If it passes, I hope that stays in it.

To summarize, the GDFF system is important. I believe any system you obtain should retain these principles: program specificity and comprehensiveness. Having done away with those principles now seems to me to be a very, very poor choice.

As you have heard, other available systems either are much more limited, or are in some cases not yet well developed. We attempted to use the FAADS system, for example, but discovered that it is simply not ready to be used, for several kinds of technical as well as administrative reasons.

It seems to me that to organize this kind of a system is to create a framework for intelligent discussions of Federal spending policies.

We need a system which is program specific, because that is how decisions are made. We need a system which is comprehensive. Certainly from a State and local point of view, we need a system which tracks that money down through the county and city level as GDFF does.

I do hope that both of these pieces of legislation are passed.

Senator **Durenberger**. I have just a couple of questions. One is on comprehensiveness. I think one of the points you alluded to in your summary, and as elaborated upon in your statement, is that much of Federal spending is concentrated in a few Federal programs. It is something like the 100 largest programs make up between 80 and 90 percent of the total Federal outlays.

Don't we have a problem with diminishing returns when we try to be 100 percent comprehensive; in other words, trying to get to the last 10 percent or the last 5 percent isn't really worth the cost of collecting the information?

Mr. **Anton**. I think that is true. However, if you are a program manager at the State or local government level, sometimes those bottom 5-percent programs—which may be hundreds of millions of dollars—are very important. I think you have to think about the purposes of the information. For my purposes, as an academic, I can get by quite easily by taking 100 or 150 programs if what I want to know is the impact of Federal spending in a particular location.

I would think, though, that it would be important to aim at the comprehensiveness, whether or not you can get down to the last penny or the last dollar in a program. I think that is a question that can be determined later. Technically, however, there is no real problem with doing that. If that is the aspiration, it can easily be reached.

Senator **Durenberger**. You also indicated that the fate of the New Federalism might be determined more by guesswork than by intelligence. I assume you were here to listen to the intelligent statement of the Deputy Director of OMB and his concerns with the New Federalism, and the testimony of the people from the Census Bureau.

Can you be a little more specific, after hearing their statements, about the charge you made relative to OMB?

Mr. **Anton**. Which charge, Senator?

Senator **Durenberger**. That the fate of the New Federalism might be determined more on guesswork than on intelligence.

Mr. **Anton**. I had in mind something very specific, but I don't want to engage in a public argument with OMB, necessarily. I think they are trying very hard to do a good job.

It seems to me, if you think back to a few months ago, we recall the issue of which States were gaining how much from specific Federal programs. It became a very important issue. OMB was asked to come up with information that would illuminate that question. It was during that process, I believe, that they, for the first time in some years, tried to evaluate the quality of the GDFF information. The report they produced, after some struggle, did not, in my judgment, meet the needs of people who might want to have an intelligent evaluation of some of these programs which were proposed for turnback. I think that that is unfortunate, basically because I think that kind of information is available. It is available now in the GDFF system if that system is used with some caution.

It seemed to me that all of us would have profited from having a reliable source of information from an authoritative source rather than engaging in the discussions based on conflicting information from every group or interest that had something to say about those programs.

I should point out that when OMB suggests that the system is not comprehensive, there is another point that might be made. In reporting program outlays the GDFF system includes the Treasury account number, which means you can crosswalk into the budget appendix. We have been able to match, account for account, some 500 separate accounts in both GDFF and the budget appendix. That is the way we do our own estimates of the various budget proposals. Those 500 accounts come up to something like 86 percent of the total budget, so we are quite comprehensive. That is not perfect, but the system is quite comprehensive.

Senator DURENBERGER. At this point, I will turn the hearing over to the distinguished ranking minority member of the subcommittee and the principal author of S. 2386, and Senator from Tennessee, Mr. Sasser. Jim, thank you very much.

We have had a very enlightening afternoon. I reserved some time for you to send some questions to GAO as appropriate. Mr. Anton is from the University of Michigan and is finishing his statement.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Thank you, Mr. Chairman. I want to express my appreciation to our distinguished chairman for holding these hearings today on what I consider to be very important legislation dealing with a very, very important topic. That is, of course, the flow of Federal funds to various States and communities. We are exploring the available information to determine the extent and magnitude of the flow of these funds to different locations.

I have a statement which I will not give in its entirety. However, I do want to have it incorporated in the record today.

[The prepared statement of Senator Sasser follows:]

PREPARED STATEMENT OF SENATOR SASSER

Good afternoon. My thanks to Chairman Durenberger for holding this hearing on S. 2386, my legislation to provide for the establishment of a system to collect data on the Geographic Distribution of Federal Funds. It is, I think, very, very timely that we examine this information on the flow of Federal funds to various states and communities at this time. After all we are considering changes in the Federal budget that could profoundly change spending patterns of the past three decades.

Now, I must admit to you that when I look at a budget proposal, I have Tennessee on my mind—first, last and above all, foremost. I think that every one of my Senate colleagues joins me in taking more than a passing interest in how various programs affect the state he or she represents.

That is why we particularly need to have access to these data provided by the Geographic Distribution of Federal Funds information system. The budget cuts recommended in domestic programs for 1983 and beyond are an historic departure from past spending.

We simply must know how our state budgets may be affected by each recommendation. And, yes indeed, our voting on each proposal may well be affected by the projected impact on places we represent.

Is there other data available to serve the same purpose? Well, Dave Stockman says there is. But the General Accounting Office says that, while there are similar systems, none is as comprehensive as the Geographic Distribution of Federal Funds system.

So, this year, at one of the most crucial times in our country's economic history, we lack a valuable information source that could aid us in our budget deliberations.

Testimony at today's hearing is being presented by an array of experts. I look forward to studying their remarks and suggestions. And I commend the Subcommittee Chairman, David Durenberger, for holding this hearing so that we can explore the usefulness of the Geographic Distribution of Federal Funds data system.

Time is very, very short this year for getting this bill enacted and in force for the Federal government. I am pleased to note that the Budget Committee deadline has been moved up to May 31 this year. This gives us an opportunity to complete work on this bill in time to meet the budget deadline.

My Senate colleague, Senator Riegle, introduced a resolution earlier this year to deal on a short term basis with the same problem that my longer term legislation addresses. In fact, we have been working together to come up with a legislative solution to the problems of this "information gap."

Thank you very much.

Senator SASSER. Along with my opening statement for S. 2386, which appeared in the Congressional Record of April 15, 1982, page S 3606, I had included a section-by-section analysis of the bill which I am submitting for this hearing record.[1] I also wish to include in this hearing record Senator Riegle's statement and additional material on Senate Joint Resolution 146.[2]

Mr. Anton, right?

Mr. ANTON. I am Mr. Anton, right.

Senator SASSER. Mr. Anton, in your letter to Senator Riegle about the Geographic Distribution of Federal Funds information system which was printed in the Congressional Record on February 11 of this year, you quoted a statement by Ed Harper, the former Deputy Director of OMB, to the effect that OMB does "not believe that reliable data on Federal spending at the county and city level can be produced on a comprehensive basis at any cost." [3]

As you know, one of the chief concerns voiced by experts about the current Geographic Distribution of Federal Funds information system is the reporting of substate data. Can you give the subcommittee any guidance on how data that is supported by the cities and counties could be improved?

Mr. ANTON. We have already recommended, Senator, in our publication, "Moving Money," which rose from this project——

Senator SASSER. Could you pull the microphone a little closer?

Mr. ANTON. Sure. We have already indicated that there are some fairly simple improvements which can be made. They are attached to the epilog of my statement. One would be to require reporting codes to make a distinction between units of government that receive money and units of government that receive and use money. Referring to charts which were passed out by OMB earlier are programs that are in the GDFF system, and are reported to the county in which the State capital is located. It would be a relatively simple technical matter to ask agencies to report at a lower level—that is, at the county or city level—for many of these programs. I think that the idea is still a good one.

We also suggested that, with a bit of additional work, people making these reports could introduce a coding scheme which would allow us to distinguish between moneys that is allocated to governments and moneys paid directly to individuals. We have done that ourselves, so I know that coding process is not all that difficult. That could be done as part of the data system. Those kinds of recommendations, it seems to me, are easily available and could be implemented on the present system without implementing an entirely new system, if that were the choice.

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[1] See p. 85.
[2] See p. 89.
[3] See p. 89.

I would like to add, however, that when we have examined county data—and I consider myself an expert on this system because I have worked with it a lot—one of our main concerns has been the accuracy of substate distributions. A recent analysis we did of the States of Illinois and Michigan led us to conclude that county-level reports were about what should be expected. When we examined defense spending in the State of Illinois, for example, most of the defense money was reported in counties where, as we know, defense money ought to be spent—counties in which there are Air Force bases, et cetera. Or, when we examined the county distribution of funds to combat black lung disease in the State of Illinois, we found those moneys predominantly reported in two counties, Franklin and Williamson, both of which are coal mining counties. It is clear that some other numbers are inaccurate. These numbers, because they are not contaminated by lack of a solution to the passthrough problem, seem quite good.

My conclusion, therefore, is that GDFF reports of county-level spending are much more accurate than many people think.

Senator SASSER. Thank you, Mr. Anton. We are very much in your debt for testifying today. I may have some additional questions which I will propound to you later. I gather the chairman might have some additional questions as well.

Mr. ANTON. I would be happy to provide anything you request.

Senator SASSER. Thank you.

[Mr. Anton's prepared statement follows:]

PREPARED STATEMENT OF THOMAS J. ANTON

My name is Thomas J. Anton. I am Professor of political science and public policy at The University of Michigan in Ann Arbor, Michigan, where I also direct a small research program we call the Intergovernmental Fiscal Analysis Project. I very much appreciate this opportunity to present my views on S. 2386, a bill I regard to be of considerable national significance.

To help you evaluate my remarks, let me begin by sketching out my background and the nature of my interest in the problems addressed by S. 2386. I have been a student of government expenditures since the early 1960's, when I published several articles and a book on budget politics in the State of Illinois. I later developed that interest in other settings, including several European countries. In 1974 I joined several colleagues at The University of Michigan in two rather extensive studies of the General Revenue Sharing program, one a survey of more than 2,000 state and local officials, the other an in-depth study of the effects of General Revenue Sharing in five large cities. During the course of our work on Revenue Sharing it became clear to me that our knowledge of intergovernmental fiscal relations was quite undeveloped. Since it was also clear at the time that federal grants to state and local governments were growing rapidly, I concluded that an effective method of improving our knowledge would be to seek an explanation for the growth of federal grants.

In seeking that explanation I quickly discovered that reliable data on the federal grant system simply did not exist. Considerable information was available or being collected on individual programs such as General Revenue Sharing, but descriptions of the totality of grants available were fragmentary, ambiguous, and often contradictory. Descriptions of total federal spending for federal operational expenses and payments to individuals were available but not widely known, and they were also marred by inconsistencies or known inaccuracies. Given continuing increases in federal outlays, the absence of accurate data on federal spending patterns struck me as a serious problem. The Office of Policy Development and Research in the Department of Housing and Urban Development agreed, and in 1978 provided a grant to The University of Michigan that permitted me to initiate the Intergovernmental Fiscal Analysis Project. In 1980 the National Science Foundation provided a three-year continuation grant that has enabled us to continue work on improving the quality of information of federal expenditures. I am grateful to both organizations for their generous support. The comments I am about to make, however, are entirely my own and do not reflect the views of either agency.

The Knowledge Gap

It is important to emphasize at the outset that at present, no one really knows where federal dollars are spent. Federal budget and off-budget expenditures continue to rise dramatically, but it continues to be impossible to show what kinds of federal resources flow into which state, county or local jurisdictions across the country. Part of our fiscal ignorance is due to simple lack of reporting. As we pointed out in Moving Money (Oelgeschlager, Gunn and Hain, 1980), "...in FY 1978 the federal government spent $461 billion in budget outlays, $124 billion in tax expenditures, and had accumulated $440 billion in outstanding loan assistance. These obligations amounted to more than a trillion dollars ($1,000,000,000,000). Yet, available government-wide federal information systems permit the tracking of less than half of these dollars to state and local geographic areas. No federal information source reports tax expenditures below the national level. Both OMB and Treasury publish national level data on credit activity, but only the Community Services Administration tracks loan assistance to states and localities, and then only for the "face value/obligation" of loans advanced during each fiscal year. No geographic profiles of either total loans outstanding or loan repayment schedules are now available." Apart from changing the numbers to reflect the much higher levels of resources currently being expended ($1.9 trillion) and the recent termination of CSA, these conclusions remain as true in 1982 as they were in 1978.

The absence of reliable data is equally pronounced when we confine attention to budget expenditures alone. OMB produces an annual special analysis called "Federal Aid to State and Local Government" that provides national summaries by type of grant, selected programs, and budget functions, but not by state. State-level detail in support of this special analysis is provided in Treasury's Federal Aid to States, which aggregates federal grants into 100 or so categories roughly related to agency jurisdiction. Census summarizes federal grants to states in several of its reports, and goes a step further to report federal assistance to local-level jurisdictions as well. These data are useful enough for some purposes, but they report nothing more than federal grants, which were only 17 percent of the budget in 1978, are hardly 15 percent today and, if current "new federalism" proposals are enacted, would constitute an even smaller fraction of future federal budgets.

Even within this relatively small portion of the budget, state distributions reported by Treasury and Census are consistently different, raising serious problems of interpretation. Indeed, when we compared grants to states reported by both of these "authoritative" sources for the fiscal years 1969 through 1978, we found the following startling result: in no year, for no state, do any of the grant figures reported by these sources match. Census and Treasury reports all show vast increases in federal aid during this time period, but beyond that it is quite difficult to know what reliable conclusions might be drawn from such data. This difficulty is compounded by other known inadequacies, such as the relative lack of Census data on local governments, or the systematic Census overstatement of state, rather than federal, aid to cities. These data systems, in short, do not even report the distribution of some 85 percent of budget expenditures and report the remaining 15 percent in a wholly ambiguous fashion.

The only federal data system that provides much relief from these inadequacies is the Geographic Distribution of Federal Funds series, until recently published annually by the Community Services Administration. In contrast to other federal data systems, the GDFF series provides geographic distributions of spending by virtually all agencies except Congress and the judiciary, and captures a substantial portion of off-budget spending as well. The GDFF series thus provides the most comprehensive information on budgeted expenditures now available. GDFF reports are also the only federal summaries other than Census documents that report data for all counties and cities of 25,000 or more people to supplement state-level information. Most importantly, the GDFF data are reported by program and Budget account number, providing a direct linkage into the Budget Appendix itself for detailed program analyses across time or across agencies. Finally, these data have been collected since 1968, which means that program, agency or total spending in state or local jurisdictions can now be tracked for more than a decade. GDFF does not report tax expenditures or all credit activities, but at least for the federal budget, the GDFF series provides comprehensive information regarding who gets what from the federal treasury, and it provides that information in considerable jurisdictional and historical depth.

No other federal system now provides the information available in the GDFF series.

OMB's recent decision to terminate the GDFF system leaves us with Treasury and Census systems that ambiguously monitor only 15 percent of the budget, a procurement data system that monitors another 15 percent or so of the budget but lacks historical depth, and a brand new Federal Assistance Awards Data System (FAADS) that is neither fully operational nor designed to provide comprehensive information. It seems to me quite evident, therefore, that we are now much worse off than before in our ability to track the distribution of federal expenditures. The only available comprehensive system has been eliminated in favor of systems that are much more limited in coverage, that offer conflicting information, or that are too recent to offer usable and reliable data. The gap between federal government expenditures and our knowledge of the distribution of those expenditures suddenly has become much wider.

Problems

In my judgment the loss of GDFF poses very serious short and long-run problems for American public officials. The short-run problem is whether to support, oppose or modify the massive financial and structural changes embodied in President Reagan's "New Federalism." The long-run problem is the development of a common fiscal language. Let me speak to each issue in turn.

I am not naive enough to believe that officials will take positions on major policy proposals on the basis of information alone, but elimination of GDFF removes an extraordinarily valuable resource from those officials for whom information is an important basis for choice. This resource is valuable precisely because the information is structured the way policies are usually debated, that is, by program, within agency, and because program information is provided comprehensively. Discussions in this city during the past several months, for example, have focused on whether to swap medicaid for AFDC and Food Stamps. GDFF data are easily amenable to analyses of the national or state implications of that proposal because historical data are reported for those programs. Similarly, whether or not a "turnback" of 40, 50 or 124 programs makes sense nationally or for a given state can be easily assessed with GDFF data for each of those programs across a ten-year period. Neither Treasury, which aggregates all federal programs into just 100 or so groupings, nor Census, which reports federal aid in fewer than 20 functional categories, nor the new FAADS system, which does not clearly identify the program from which assistance is given, can offer this capability.

The best evidence of the significance of this quality of the GDFF system, I think, is that a virtually identical system is now being used for policy planning and evaluation. In addition to the swap, which was promoted with envidence showing a mulit-program financial balance for each state, the "turnback" was designed to allocate shares from a new federal trust fund on the basis of three-year averages of state receipts from each of the "turnback" programs. With GDFF unavailable for 1981, the third year of the estimating period, OMB had no option but to create its own information system by gathering data from agencies responsible for the 124 or so programs. Similar or better data are already available from GDFF for 1980 and prior years and we have made that information available to a number of public officials and agencies interested in evaluating one or more programs. ACIR, for example, has based its own extensive analysis of "turnback" alternatives largely on program information derived from GDFF files.

The fact of the matter is that no proposal for adjusting federal-state relations can be discussed intelligently without knowing something about participation in the programs that are the focus of proposed change. To take away the GDFF system now is to take away a system whose value is acknowledged by its use, in Washington today, to plan and evaluate the most significant initiative in domestic policy in decades. Unless the GDFF system, or something very much like it, is maintained, the fate of the new federalism will be determined more by guesswork than by intelligence.

Apart from the program specificity of the GDFF data, the comprehensiveness of the system is an asset that, if lost, would damage our present ability to either understand or improve federal-state relations. If the system were maintained agencies such as OMB would not have to collect information agency by agency, but could access information for any program from a single file. System comprehensiveness also permits analysis of interactive program effects across agency and time that have become increasingly important issues: if AFDC payments are reduced, will Food Stamp payments increase, and why? Without GDFF, questions of this kind can only be answered on an ad hoc basis, at greater expense and with greater chance for error.

Most fundamentally, loss of the only comprehensive system now available would eliminate the ability of state or local governments to assess the impact of federal actions within their jurisdictional boundaries. As I suggested earlier, evaluating the potential impact of new federalism or other major proposals on state systems requires knowledge of present federal-state interactions. Because American states vary so much in socio-economic characteristics, those interactions are also very different. In 1978, for example, federal funds were distributed into states from some 1,463 separate Treasury accounts. No state received funds from all of these programs, but California participated in 1,054 of these accounts while, at the other extreme, Delaware received funds from only 448 federal accounts. Generally the more populous states participated in more programs, but states such as Georgia or Colorado were also among the leaders, with receipts from 820 and 868 programs, respectively.

Different levels of participation reflect different mixes of programs that can be analyzed individually or summarized into various politically-relevant categories. In a recent study of Illinois, for example, I pointed out that "entitlement" programs became far more important in that state during the seventies than in the nation as a whole and that, as a "soft dollar" state with relatively little participation in "hard" federal programs for "defense," Illinois could expect to be disadvantaged by current federal budget policies. (Each of the words in parentheses represents a coding category we have applied to federal programs.) I have made copies of this analysis available to subcommittee staff, not so much because Illinois is representative of all states (it is not) but rather because the study represents the kind of analysis that seems to me to be essential for proper evaluation, within states, of the effects of major federal policy changes. No data system except GDFF can sustain this kind of analysis because only GDFF is at once comprehensive and jurisdictionally specific.

To summarize the short-run problem, loss of the GDFF system all but eliminates any possibility of developing empirical evidence regarding the consequences of budgetary and structural changes proposed in the new federalism package. If knowledge is more important than ignorance in policy-making, the GDFF system should be continued.

In the longer run, termination of the GDFF system brings to a halt the very promising process of moving toward a common set of understandings regarding federal expenditures and their national distribution. Particularly after 1974, when recommendations offered by an inter-agency task force led to significant improvements in GDFF data, demand for those data increased dramatically. By 1981, when fiscal 1980 data were being processed, a press run of some 30,000 copies was required to meet requests from public, non-profit and private agencies across the country. Quite obviously, larger and larger numbers of officials were using the reports, opening up the possibility that a common universe of fiscal discourse, with widely shared definitions and measurement of terms, might gradually replace the fragmented and conflicting data systems currently in use. Were such a common language developed, I thought, political disputes could occur over issues of real substance rather than the largely definitional disputes that dominate current debates.

Parenthetically, I might note here that OMB conducted a questionnaire survey of the popularity and utility of the GDFF system as part of its evaluation of the data. I do not believe that OMB has ever released the results of that survey, but it might well be worthwhile for the Subcommittee to request access to the results. If I correctly recall the questions asked, the answers would shed considerable light on both the demand for and the utility of GDFF data.

Without GDFF, or something very similar to it, to provide the centerpiece, the chances of developing a common fiscal language seem slight. Even the modest but quite workable recommendations for integrating GDFF with other federal data systems proposed in our Epilogue to Moving Money (copy attached) become irrelevant. Inevitably, future discussions of federalism issues will resemble the debate of the past several months in one crucial respect: every interest or coalition will have its own information system, different from all others. In that cacophonous context, information becomes a weapon of attack or defense rather than a tool of enlightenment. I can only sympathize with the frustration policy-makers must feel as they seek some responsible policy choice in the face of wildly contradictory information. For policy makers at all levels, we can and should do better.

The Virtue of S. 2386

S. 2386 seems to me to take us a long way toward resolving the problems created by OMB's termination of the GDFF system. The bill also contains provisions that, in my judgment, would move our information gathering and processing capacities well beyond what they have been during the last decade of progress. For these reasons I strongly support the bill and its companion, S.J. Res. 146. Let me try to explain why in somewhat greater detail.

First of all, the bill provides a legislative foundation for the collection, compilation, distribution and analysis of the geographic distribution of federal funds. Quite apart from the important practical consequences embodied in the authorization of funds to support these activities, the legislative mandate is an extremely important symbolic act. By re-affirming an earlier federal commitment to provide comprehensive and reliable data, S. 2386 sends a message to all agency personnel involved in the data-gathering effort that their activities are important because the information itself is important to Congress. That alone would be a healthy influence on the data system, encouraging careful attention through knowledge that the information is certain to be reviewed.

Secondly, the bill provides for a sensible administrative structure. The President is authorized to designate an agency to establish and develop "an information system on geographic distribution of Federal funds." Control over collection and improvement of the data is therefore vested in the branch of government most directly involved in the actual dissemination of funds: the Executive. Since most of the personnel engaged in the collection of GDFF data in the past are still available, so far as I know, the Executive branch should be able to move quickly to reinstate the data system if S. 2386 and S.J. Res. 146 are passed.

Third, the bill requires GAO to "promulgate standards for the collection and reporting by all federal agencies of information relating to the geographic distribution of Federal funds" and to "monitor and review" compliance with those standards. By thus requiring direct involvement of a prestigious Congressional support agency -- the Comptroller General -- in defining and monitoring the work of the Executive branch, S. 2386 provides a mechanism to deal with the single most important barrier to information system progress during the past decade, namely, the inattention and/or indifference of responsible administrators in the Executive branch. As you know, the GDFF system was authorized and controlled by OMB Circular A-84 (1967). However, senior OMB officials have seldom invested enough attention or resources in the system to fully develop its potential.

OMB's recent termination of GDFF, its assignment of FAADS to Census, whose budget is being drastically reduced, and its plan to divest itself of responsibility for both the Catalog of Federal Domestic Assistance and FAPRS (see Deputy Director Harper's letter of February 24, 1982 to Senator Roth), all strongly point to OMB's continued unwillingness to take the lead in developing these data systems. Since other executive agents are unlikely to exert as much "clout" in developing the geographic system as OMB could exercise, there is clearly a need for some office capable of exerting a similar degree of influence, when necessary, on occasionally recalcitrant agencies. GAO strikes me as the ideal unit for this purpose, because of its general oversight mission, its recognized expertise, and the confidence invested in it by members of Congress.

Finally, let me say that the proposal to establish five regional data analysis centers is an extremely good and imaginative idea. Because they will presumably be serving very different regional interests, these centers will have a natural interest in clarifying the differences between their own and other regions, yet they will be doing so within the conceptual framework and measurement standards promulgated by GAO. The competition that is likely to develop to show regional advantage or disadvantage will be good for regional interests, since it will stimulate development of new regional information. That competition will also produce national benefits since, in seeking to debunk or support analyses from other regions, personnel in these centers will be stimulated to seek clarification of information and measurement standards, producing a much stronger thrust toward data system improvement than would occur if only a single center or group were involved. With such a system, we might begin to approach the common universe of discourse that seems to me essential for real debates over real issues, rather than pseudo-debates over semantic questions.

The only difficulty I can see in S. 2386 is its failure to provide a mechanism to capture the GDFF data already collected by agencies for fiscal 1981, or a mechanism to ensure that fiscal

1982 data will be collected and reported. Those are crucial years for understanding the impact of President Reagan's financial and structural reforms; unless we capture that information we will lose both the first years of the new federalism period and the continuity of a data system that can now track federal spending for more than a decade.

S.J. Res 146 requires OMB to "prepare a report specifying the geographic distribution within the United States of outlays made by the Government for each of the fiscal years 1981 and 1982." It seems to me vital to collect that information, thus I support S.J. Res. 146 as strongly as I support S. 2386. In my judgment, these companion measures are very much in the public interest.

Senator SASSER. We will now hear testimony from Mr. Stephen Farber, the executive director of the National Governors' Association. Mr. Farber is speaking on behalf of the Executive Directors of State, County, and City Government as well as on behalf of the National Governors' Association.

You are wearing a number of hats today, Mr Farber. We look forward to hearing from you.

Mr. Farber, let me begin with this admonition: I am told that we have a vote beginning here at quarter of four. So with that statement, let's go forward.

TESTIMONY OF STEPHEN B. FARBER, EXECUTIVE DIRECTOR, NATIONAL GOVERNORS' ASSOCIATION, ON BEHALF OF STATE, COUNTY, AND CITY GOVERNMENT

Mr. FARBER. Thank you, Senator.

It is a pleasure to be here today. I would like to say at the outset that this subcommittee, on a bipartisan basis, has consistently taken a constructive approach to issues of deep concern to State and local governments. We deeply appreciate the efforts that you and your colleagues in this subcommittee have consistently made to focus attention on such issues of concern.

The issue before us today is of this nature. We are grateful to you for your attention to it.

As you indicated, I am speaking today as chairman of a group of executive directors of the organizations representing the elected officials of State and local governments throughout the United States.

We strongly support S. 2386. Equally important is the early passage of Senate Joint Resolution 146, which mandates the continued collection and distribution of the GDFF data for 1981 and 1982. The bipartisan support of these efforts by the subcommittee is appreciated and reflects a concern that the collection and distribution of these valuable data should not be arbitrarily discontinued.

The GDFF is the only data series of its kind available to the Congress. The Congress, we feel, needs this information just as much as State and local governments do. We are particularly sensitive to the continuation of data series, like GDFF, because they provide an important policy analysis tool for State and local governments. We urge rapid action by the Congress because the completion of the GDFF for this year is critical in order to assure continuity and comparability in the data series.

Substitution of the FAADS system, which we have heard discussed today, for the GDFF program would, in our judgment, be inadequate at this time. An improved FAADS, while desirable, is still in the development stage and is not projected to have the coverage of the GDFF system. As the FAADS is developed, it should include all information now covered by the GDFF. Moreover, we feel it should include data for the territories as well as the States.

I should add, Senator, that we are particularly concerned about the problem of interrupting what is an historic data series, even if the new FAADS system can be implemented over the next year or two. If, and when, other data series such as FAADS are available, and if they can, in fact, equal or even exceed the GDFF series in scope and in usefulness, we will, of course, support such a series. But that time has not yet arrived. The detail and the trend information contained in the GDFF should, therefore, in our judgment, be maintained.

Also, we do not feel that the problems of developing a new system should be underestimated. The National Governors' Association is itself now developing a State data series in a number of key fields. We recently published our first analysis of the State-by-State impacts of the President's fiscal year 1983 budget proposals. This was a good first effort, but we are aware that considerable developmental efforts will be required to build on the base we have established. That is true of any new data series. Certainly, it will be true of the FAADS system.

The elimination now of so important a source of information as the GDFF regarding the flow of Federal funds to States and localities would, in our view, be particularly unfortunate. The General Accounting Office has also made the same observation in its communications with you, Senator.

I would point out, finally, that the GDFF provides a vital baseline for analysis not only of immediate budget issues, but also of Federalism proposals and other sorting out initiatives. This kind of baseline is critically important now because I think, as all of us know, the changes underway in intergovernmental finance and in our Federal system as a whole are dramatic. They are far-reaching in their impact on State and local governments and on the American people. That is why, Senator, we pledge our support to your efforts to require the continued publication of this important data series.

Thank you.

Senator SASSER. Thank you, Mr. Farber.

Let me say that we appreciate your testimony here today and appreciate your support of my legislation.

One of the chief criticisms has been the reporting of information at below the State level. Do you have any suggestion on how we could get better information from below the State level without imposing onerous requirements on the States themselves?

Mr. FARBER. Senator, Professor Anton made some suggestions on that point just a moment ago. We are certainly prepared, as far as our own data collection efforts are concerned, to be of whatever assistance we can in the improvement of this data series.

In previous testimony, it was suggested that there are, in fact, some considerable inaccuracies in the GDFF data. I think our response would be that it is important to improve imperfections where they exist; to deal with them actively and aggressively; but not to infer from the current inaccuracies or problems that the system itself ought to be shelved, until such time as there is, in fact, in place a system that is at least equal to or better than what we now have.

Senator SASSER. A lot of attention is being focused on block grants right now, as you know. The nine recently enacted block grant programs all have some type of reporting requirement.

Do you see any conflict in the flexibility goal of the block grant programs and the maintenance of a reporting requirement stringent enough to meet the needs of the GDFF system?

Mr. FARBER. The reporting requirements should be sufficient to provide the kind of information necessary for you, here in the Congress, and for officials in State and local governments across the country to evaluate precisely what is occurring.

These changes are substantial; they are significant; and they are having a major impact. We are particularly concerned, for example, about the cuts in funding which have occurred in the block grants—cuts that, indeed, are projected to increase this year unless action to the contrary is taken by the Congress. This will clearly have an impact on the ability of State and local governments to deliver services in an effective manner and, indeed, at the same levels.

Reporting requirements providing adequate information are a part of the block grant process.

Senator SASSER. Five regional data analysis centers would be set up in different parts of the country if this bill passes. One of the benefits of such centers may be to make data more accessible to State and local officials.

Would you comment on the use of the GDFF by officials at these levels of government in the past? Do you think this use would be facilitated by the regional data analysis centers?

Mr. FARBER. The proposal to have the regional data analysis centers has been greeted by some officials in the State government community, with whom we have discussed it, as a useful concept to explore further.

There is, of course, major interest in the State government community—as reflected by Senator Specter's testimony today on behalf of the Northeast-Midwest coalition—in having available, on a regional basis, the best possible information.

We would be prepared to work with you to determine whether this is the best approach and to perfect the data series in any way possible.

Senator SASSER. Thank you, Mr. Farber.

We very much appreciate your appearing here this afternoon and giving us the benefit of your views and that of the National Governors' Association and other interest groups.

Thank you, sir.

Mr. FARBER. Thank you, Senator.

[Mr. Farber's prepared statement with attachments, and responses to written questions submitted by Senator Sasser follow:]

PREPARED STATEMENT OF STEPHEN B. FARBER

Mr. Chairman and Members of the Subcommittee:

Thank you for seeking the views of the State, County and City Government organizations on S. 2386. I am speaking today as chairman of this group of executive directors. Our seven organizations -- National Governors' Association, International City Management Association, Council of State Governments, National Association of Counties, National Conference of State Legislatures, National League of Cities, and U.S. Conference of Mayors -- represent the elected officials of state and local government in the United States.

We strongly support S. 2386, which would require the collection and reporting of data on the geographic distribution of federal funds. Equally important is early passage of Senate Joint Resolution 146, which mandates the continued collection and distribution of these data for 1981 and 1982. The bipartisan support of these efforts by the Subcommittee is appreciated and reflects a concern that the collection and distribution of these valuable data should not be arbitrarily discontinued.

The Geographic Distribution of Federal Funds is the only data series of its kind available to the Congress. The Congress needs this information just as much as state and local governments do. We are particularly sensitive to the continuation of data series like the Geographic Distribution of Federal Funds because they provide an important policy analysis tool for state and local governments. We urge rapid action by the Congress because the completion of the GDFF for this year is critical in order to assure continuity and comparability in the data series.

Substitution of the Federal Assistance Awards Data Systems for the Geographic Distribution of Federal Funds would be inadequate since the FAADS coverage is limited to those programs listed in the Catalog of Federal Domestic Assistance. It would not include information regarding payments to federal employees, federal procurement activities, and virtually all spending by the Department of Defense. An improved FAADS, while desirable, is still in the development stage and is not projected to have the coverage of the GDFF system. As the FAADS is developed, it should include all information now covered by the GDFF. Moreover, it should include data for the territories as well as the states.

The elimination now of such an important source of information regarding the flow of federal funds to states and localities would be particularly unfortunate. As the General Accounting Office has said, "An information base is especially needed today given the rapid changes being proposed in federal budget policies and the associated redefinition of the federal-state role in conducting programmatic activities. An information base similar to the GDFF would help policymakers and legislators at all levels of government in assessing the effects of funding shifts between and among federal program areas."

Attached to my statement is an April 26 resolution by the National Conference of State Legislatures which urges the continuation of the GDFF. Also attached is the language from Section 201 of the Intergovernmental Cooperation Act of 1968. This law requires federal agencies to provide every state with information on all grants-in-aid made in each state. There has never been any doubt that Congress has required publication of the data on the geographic distribution of federal funds.

The Geographic Distribution of Federal Funds provides a vital baseline for analysis not only of immediate budget issues but also of federalism proposals and other "sorting out" initiatives. We pledge our support to your efforts to require the continued publication of this important data series.

NCSL STATE FEDERAL ASSEMBLY
POLICY ADOPTED
APRIL 26, 1982

GEOGRAPHIC DISTRIBUTION OF FEDERAL FUNDS

The Geographic Distribution of Federal Funds Information System has, until 1981, reported spending of federal government administered funds at the state, local and regional levels. Data on domestic financial assistance and procurement activities were covered by this system. As of 1981, the system was terminated. Many states used the geographic distribution of federal funds information system to assess the impact of federal spending in their states. NCSL urges the Administration and Congress to reestablish this system or establish a federal spending information system that better reports federal spending in the detail needed by the states so states are able to coordinate federal spending with their own state priority spending.

OMB CIRCULAR A-98

Public Law 90-577
90th Congress, S. 698
October 16, 1968

An Act

To achieve the fullest cooperation and coordination of activities among the levels of government in order to improve the operation of our federal system in an increasingly complex society, to improve the administration of grants-in-aid to the States, to permit provision of reimbursable technical services to State and local government, to establish coordinated intergovernmental policy and administration of development assistance programs, to provide for the acquisition, use, and disposition of land within urban areas by Federal agencies in conformity with local government programs, to provide for periodic congressional review of Federal grants-in-aid, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Intergovernmental Cooperation Act of 1968".

TITLE II—IMPROVED ADMINISTRATION OF GRANTS-IN-AID TO THE STATES

FULL INFORMATION ON FUNDS RECEIVED

SEC. 201. Any department or agency of the United States Government which administers a program of grants-in-aid to any of the State governments of the United States or to their political subdivisions shall, upon request, notify in writing the Governor, the State legislature, or other official designated by either, of the purpose and amounts of actual grants-in-aid to the State or to its political subdivisions. In each instance, a copy of requested information shall be furnished the State legislature or the Governor depending upon the original request for such data.

National Governors' Association

Richard A. Snelling
Governor of Vermont
Chairman

Stephen B. Farber
Executive Director

July 27, 1982

Ms. Ruth M. Doerflein, Chief Clerk
Subcommittee on Intergovernmental
 Relations
507 Carroll Arms Building
Washington, D.C. 20510

Dear Ms. Doerflein:

In response to Senator Sasser's questions on the "Geographic Distribution of Federal Funds" (S. 2386) please include the following comments as part of the record.

1. Do the city, county and state officials feel that this new information system, used in conjunction with the several other systems available (such as FAS and FPDS) will fully satisfy their need for information? The new system, if developed as proposed, and used in conjunction with FAS and FPDS would be much more useful if sub-state data were also included.

2. Can the Governors and other state and local officials decide whether or not to support "New Federalism" proposals without an adequate fiscal data base as called for by S. 2386? All parties have agreed that discussions of "New Federalism" will proceed with agreed upon assumptions as to data. The basic decisions on federalism will deal with program and fiscal policy. An adequate and historically comparable data base is extremely important to these policy decisions.

Thank you for the opportunity to provide these additional comments for the record.

Sincerely,

Steve Farber

Stephen B. Farber

HALL OF THE STATES • 444 North Capitol Street • Washington, D.C. 20001 • (202) 624-5300

Senator **Sasser**. There being no further witnesses, the subcommittee stands adjourned.

[Whereupon, at 3:37 p.m., the subcommittee recessed, to reconvene at the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

97TH CONGRESS
2D SESSION

S. 2386

To provide for the establishment of a system to collect data on the geographic distribution of Federal funds.

IN THE SENATE OF THE UNITED STATES

APRIL 15 (legislative day, APRIL 13), 1982

Mr. SASSER (for himself, Mr. RIEGLE, Mr. DURENBERGER, Mr. PRYOR, Mr. MOYNIHAN, Mr. BIDEN, Mr. LEVIN, Mr. BAUCUS, Mr. BRADLEY, Mr. METZENBAUM, Mr. DIXON, Mr. EXON, Mr. JACKSON, and Mr. FORD) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

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A BILL

To provide for the establishment of a system to collect data on the geographic distribution of Federal funds.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 203 of the Legislative Reorganization Act of 1970 (31 U.S.C. 1153) is amended by adding at the end thereof the following new subsection:

"(e)(1) Information on the geographic distribution of Federal funds for each fiscal year by State, county, and city shall be collected, compiled, distributed, and analyzed in accordance with this subsection. For purposes of this subsection, the term “Federal funds” includes grants made, contracts entered into, direct loans made, guarantees or insurance of loans made, donations of commodities and surplus real and personal property made, and Federal personnel salaries and related costs incurred, by any Federal agency.

“(2)(A) The Comptroller General of the United States shall promulgate standards for the collection and reporting by all Federal agencies of information relating to the geographic distribution of Federal funds. Such standards may include—

“(i) definitions of the types of Federal funds for which information shall be reported and the form and manner in which information with respect to such funds shall be reported;

“(ii) definitions of cities or other entities of local government for which information with respect to Federal funds shall be reported (including the establishment of thresholds for coverage by population or other criteria); and

“(iii) such other requirements and procedures as the Comptroller General considers appropriate to carry out the purposes of this subsection.

“(B) No standard promulgated by the Comptroller General under subparagraph (A) shall be effective until thirty calendar days following the day on which it is transmitted in final form to the Congress.

"(C) The Comptroller General shall monitor and review, in such manner and at such times as he considers appropriate, compliance by Federal agencies with the standards promulgated under this paragraph.

"(D) To carry out this paragraph, there are authorized to be appropriated to the Comptroller General not to exceed $90,000 for the fiscal year ending September 30, 1983, $70,000 for the fiscal year ending September 30, 1984, and $80,000 for the fiscal year ending September 30, 1985.

"(3)(A) The President shall designate a Federal agency—

"(i) to receive from Federal agencies reports of information with respect to Federal funds;

"(ii) to review such reports and validate, by appropriate means, the processes by which Federal agencies prepared such reports;

"(iii) to establish and maintain an information system on geographic distribution of Federal funds and continuously revise the information contained in such system; and

"(iv) to compile and generate reports for users of the system referred to in clause (iii), including the regional data analysis centers established pursuant to paragraph (4) of this subsection.

"(B) In carrying out this paragraph, the Federal agency designated by the President pursuant to subparagraph (A) shall comply with the standards promulgated by the Comptroller General under paragraph (2). Each Federal agency shall submit to the agency designated by the President pursuant to subparagraph (A), in accordance with the standards promulgated by the Comptroller General under paragraph (2), such reports and other information as the agency designated by the President under subparagraph (A) may require. Such reports and information shall be submitted by Federal agencies to the agency designated by the President under subparagraph (A) at such times and in such manner as such agency shall require.

"(C) To carry out this paragraph, there are authorized to be appropriated to the agency designated by the President under subparagraph (A) not to exceed $300,000 for the fiscal year ending September 30, 1983, $350,000 for the fiscal year ending September 30, 1984, and $400,000 for the fiscal year ending September 30, 1985.

"(4)(A) The President shall designate a Federal agency to establish and operate, by contract or otherwise, five regional data analysis centers. The centers shall provide public policy analyses of information on the geographic distribution of Federal funds for use by State and local governments, committees and Members of Congress, and other interested persons. The President may designate the Federal agency designated under paragraph (3) to carry out this paragraph.

"(B) To carry out this paragraph, there are authorized to be appropriated to the Federal agency designated under subparagraph (A) not to exceed $360,000 for the fiscal year ending September 30, 1983, $430,000 for the fiscal year ending September 30, 1984, and $470,000 for the fiscal year ending September 30, 1985.".

SECTION-BY-SECTION ANALYSIS OF S. 2386

(This bill amends the Legislative Reorganization Act of 1970.)

(e)(1) Annual data gathering, analysis and reports on the allocation of federal funds to various levels of governments is required. The information is to be presented by state, city and county receiving the federal assistance.

The types of federal assistance to be included in these data are specified.

(2) Standards for the collection and reporting of the required data is to be set by the General Accounting Office. The agencies are expected to follow the GAO standards. Population thresholds for coverage under this law and entities of local government for which funds must be reported are to be defined by GAO.

The standards are subject to Congressional review for 30 days before they become final.

A total of $240,000 for fiscal years 1983 through 1985 is authorized for this purpose.

(3) The President is to designate an agency to coordinate reporting of data and to maintain the information on the geographic distribution of federal funds. The designated agency is responsible for review and approval of the data submitted by the agencies which administer federal financial assistance. The lead agency must also prescribe the reporting processes to be used.

Compilation and distribution of reports to the users of the system is the responsibility of the designated agency. The reports are to be made available to the regional data analysis centers established by this law.

GAO standards are to be followed by the designated agency and by the administering agencies in carrying out functions and making reports required by this law. The Comptroller General can monitor compliance.

A total of $1,050,000 is authorized for fiscal years 1983 through 1985 for this purpose.

(4) Five regional data analysis centers are to be set up under one designated agency. This agency may be, but need not necessarily be, the same as the agency charged with oversight of the data gathering, analysis and reporting of information under this law. The centers may operate under contract.

These regional data centers are to provide information on the geographic distribution of federal funds to members of Congress, officials of state and local governments and others interested in these data.

A total of $1,260,000 is authorized for fiscal years 1983 through 1985 for this purpose.

97TH CONGRESS
2D SESSION

S. J. RES. 146

To require the Director of the Office of Management and Budget to prepare and transmit to the Congress a report specifying the geographic distribution in the United States of outlays by the Government.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11 (legislative day, JANUARY 25), 1982

Mr. RIEGLE (for himself, Mr. DURENBERGER, Mr. SASSER, Mr. MOYNIHAN, Mr. BENTSEN, Mr. METZENBAUM, Mr. DIXON, Mr. GLENN, Mr. BIDEN, Mr. LEVIN, Mr. BRADLEY, Mr. BAUCUS, Mr. CHILES, and Mr. HUDDLESTON) introduced the following joint resolution; which was read twice and referred to the Committee on Governmental Affairs

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JOINT RESOLUTION

To require the Director of the Office of Management and Budget to prepare and transmit to the Congress a report specifying the geographic distribution in the United States of outlays by the Government.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Director of the Office of Management and Budget shall prepare a report specifying the geographic distribution within the United States of outlays made by the Government for each of the fiscal years 1981 and 1982. Each such report shall contain information and analyses similar to the information and analyses contained in the report entitled "Geographic Distribution of Federal Funds", which was prepared for fiscal year 1980 and previous fiscal years, and shall include categories of information and analyses for States, counties, and large cities. Each such report shall be made available to the Congress and the public on computer tape.

(b) The Director of the Office of Management and Budget shall prepare and transmit to the Congress a summary of the information included in each report required under subsection (a). Each such summary shall contain a list specifying the total amount of outlays made by the Government in each State under each Federal program and a list of the total amount of Federal assistance awarded to each local government under each Federal program. Each such summary shall be published and made available to the public.

(c) The Director of the Office of Managemet and Budget shall require Federal agencies to submit the data necessary for the preparation of each report required under subsection (a). The Director may designate a Federal agency to compile such data and report. The data collected to prepare such report shall also be made available to the Congress and the public on computer tape.

(d) The Director of the Office of Management and Budget shall make available the report required under subsection (a) for fiscal year 1981 within ninety days after the date of enactment of this joint resolution, and for fiscal year 1982 on or before the ninetieth day after the first day on which the Ninety-eighth Congress meets. Within thirty days after the date of enactment of this joint resolution, Federal agencies shall submit to the Director of the Office of Management and Budget the data necessary for the report required under subsection (a) for fiscal year 1981.

INTRODUCTION OF S.J. RES. 146 BY SENATOR RIEGLE

Mr. President, I am today introducing a joint resolution to require the Office of Management and Budget to inform Congress and the American public about the geographic distribution of Federal funds in fiscal years 1981 and 1982.

As Congress considers further sweeping changes in Federal spending and in Federal-State relations, it is more important than ever that the American people be informed of how the Federal Government affects the economies of States and regions.

Since 1968, the United States has compiled data on the distribution of Federal outlays by State, county, and large city. Reports entitled "Geographic Distribution of Federal Funds" have been published annually by the Community Services Administration for the Executive Office of the President. These reports have been an invaluable resource for Members of Congress and others who want to understand the regional impact of Federal activity.

For the past year, it has been clear that OMB is hostile to the collection of such data. The facts disprove OMB's claims that the Reagan budget cuts are fair to all regions.

Late last year, the data for fiscal year 1981 was already prepared by Federal agencies and ready to be submitted. Then, on December 14, Federal agencies were ordered not to report the data for fiscal year 1981. A copy of that order is attached, and I ask unanimous consent that it be printed in the RECORD following my remarks. OMB proposes to develop the Federal Assistance Award Data System instead. This alternative would at best provide a less comprehensive report that excludes salary and expense payments to Federal employees, Federal procurements, and virtually all spending by the Department of Defense.

We believe the OMB decision is a serious mistake that, if unchallenged, would greatly harm the ability of Congress to understand the economic impact of congressional budgetary decisions in regions, States, and localities. We intend to propose legislation that would assure Congress of uninterrupted access to comprehensive and objective information on the distribution of Federal funds.

Our resolution today would simply order OMB to compile the data for fiscal year 1981, which is already prepared, and make it available to the Congress in a timely manner. To reduce printing costs, the resolution would require a full report to be made available on computer tape. A printed summary report would aggregate data by State.

Mr. President, I have received a letter from Prof. Thomas Anton, of the University of Michigan, which describes the importance of this data.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., December 14, 1981.

MEMORANDUM FOR ASSISTANT SECRETARIES/DIRECTORS FOR MANAGEMENT

From: Edwin L. Harper, Deputy Director.
Subject: Discontinuation of the Geographic Distribution of Federal Funds.

As a result of recent evaluations of certain reporting requirements, it has been decided to discontinue the compilation and publication of the "Geographic Distribution of Federal Funds," effective immediately. Data should not be submitted for fiscal year 1981.

The Office of Management and Budget will continue to assess existing reporting systems such as the Federal Aid to States and the Federal Assistance Awards Data System in addition to the various Census Bureau publications to determine the best approach for providing information on the geographic distribution of federal funds.

UNIVERSITY OF MICHIGAN,
Ann Arbor, Mich., December 18, 1981.

Hon. DONALD W. RIEGLE, Jr.,
Washington, D.C.

DEAR SENATOR RIEGLE: In response to your request for my assessment of OMB's recent decision to terminate the "Geographic Distribution of Federal Funds" series, I have read Deputy Director Harper's letter to your colleague, Senator Durenberger, with some care. Since the letter does not reveal the activities carried out by OMB to evaluate either the GDFF or the Federal Assistance Awards Data System (FAADS), it is impossible to assess the quality of that evaluation. However, I can offer an assessment of the decision itself, as well as some rather important issues it has raised.

Apart from budgetary considerations, which I take it are purely political, the only stated reason for terminating the GDFF series is ". . . concern about the quality of the information contained in GDFF in the past." Arbitrary techniques for estimating county and city spending, diverse data bases, and gaps in coverage are cited as irreparable defects, leading OMB to prefer further development of the FAADS system and, in the meantime, continued reliance on data currently being compiled by Treasury (presumably the information contained in its publication, "Federal Aid to States"). Having worked with the GDFF data system quite extensively, I can readily agree that the system has serious problems of accuracy and coverage. These problems have been well-known for some time, they are solvable for the most part, and we have made some progress toward solutions. Eliminating this data system leaves us with Treasury and Census data systems that are in fact less specific, less comprehensive, less accurate and thus less valuable than the GDFF system. Indeed, it was the more serious deficiencies of existing Census, Treasury and OMB data systems that recently led us to prefer the GDFF system as a vehicle for tracking federal spending in states, counties and cities—our reasoning and our evidence are contained in the enclosed copies of pages 10–21 of our recent book, "Moving Money."

As I think you may know, we have been able to demonstrate the utility of the GDFF system in our recent efforts to estimate the state and local impact of President Reagan's budget proposals. Because GDFF reports outlays by program, to which a Treasury account number is attached, we have been able to use past spending by program, agency and function to estimate future spending under President Reagan's program in states such as Michigan or Illinois. That process involved a direct account-to-account match between outlays reported in GDFF and "actual" 1980 expenditures reported in the Appendix to the Budget of the United States Government for 1982. That effort produced a match that was 80 to 85 percent accurate. While hardly perfect, this level of agreement between official budget figures and outlay figures strongly suggests that complaints about data quality in GDFF reports tend to be quite exaggerated. There are problems in the data, but in my judgment they are not nearly sufficient to justify elimination of the only system in existence that attempts to provide comprehensive data on federal program expenditures in American states, counties and cities.

OMB's stated preference for further development of the FAADS system seems to me to raise some important issues. For one thing, FAADS is a much more limited system, confined to "federal assistance" payments. Operationally, these payments have been defined as programs listed in the "Catalog of Federal Domestic Assistance," with the ultimate intention of producing reports of expenditures from all programs listed in the Catalog. This is a perfectly laudable goal, for an information system that seems to me to have been well-designed, but it excludes salary and expense payments to federal employees, federal procurements, and virtually all spending by the Department of Defense, whose activities do not fall under the conceptual heading of "federal domestic assistance." (Payments to states to support the National Guard are an exception.) A federal procurement data system is being developed that ultimately will provide an important supplement to FAADS, but even with that procurement system, a very large fraction of total federal spending, more than $200 billion at present, does not and will not appear in FAADS data. This seems to me to be a serious step away from the goal of comprehensiveness aspired to by the GDFF system.

FAADS is also a developing rather than an established system. Data must be compiled from agency records by people who have not previously compiled such data, according to an entirely new format, for submission through different channels. Not surprisingly, agency responses have been varied. Interior, Commerce, HUD, Treasury and other agencies report only a fraction of the assistance payments they make, while Agriculture leaves out some rather large components, including the Farmers Home Administration. As time goes on and officials become more comfortable with this new system, coverage and accuracy presumably will increase. For the moment, however, the five quarterly reports of FAADS data can only be regarded as seriously incomplete and probably inaccurate. As the Michigan Department of Commerce recently stated, in a report called "Determining the Need for FAADS" (October 1981): "At this point in time, FAADS data have been released for three quarters and are of limited accuracy and completeness. They, therefore, should not be utilized."

For those of us who are interested in understanding the consequences of federal spending patterns in state and local jurisdictions, elimination of GDFF creates a very serious intellectual and political gap. By eliminating the GDFF system before either the FAADS or the procurement data systems are fully operational, we eliminate any possibility of tracking the fiscal impact of federal spending during 1981, 1982, and probably 1983. I believe this decision would be unwise under most normal circumstances. Under present conditions, when a new President is seeking the most significant changes in federal budget policies since the 1930's, the decision strikes me as particularly shortsighted. If this data system is allowed to expire at this juncture in our history, an important and possibly indispensable tool for evaluating the nature and consequences of federal budget changes will be lost. The tool is admittedly flawed, but imperfection seems to me to be a poor excuse for throwing away the only tool we presently have.

In general, then Mr. Harper's letter seems to me to represent a significant movement away from earlier federal commitments to provide comprehensive, accurate and timely information regarding who gets what from the federal treasury. Quite frankly, the letter leads me to wonder whether OMB now has any commitment at all to producing these kinds of data. Although the second paragraph states a commitment to "an improved FAADS system," the fifth paragraph indicates that OMB does ". . . not believe that reliable data on federal spending at the county and city level can be produced on a comprehensive basis at any cost, and we would not attempt to do so." I have underlined the last phrase because detailed and comprehensive data on federal spending at the county and city level is precisely what FAADS is supposed to provide (see the FAADS Reporting Instructions of July 1980). It should be recalled that one of the major purposes of the FAADS system is creation of data to inform states of federal funds flowing into their county and municipal subdivisions. In fact FAADS is explicitly thought of as a potential replacement for information collected through processes associated with OMB Circular A–95. Taken literally, the sentence quoted above, particularly the underlined phrase, suggests that the "improvement" in FAADS will take the form of eliminating the city and county reports that are currently required. I would hope that no such intention exists within OMB, but this language certainly is confusing, at best.

Quite obviously I share the concern you express in your letter. I would certainly support whatever action you can take that might lead OMB to reconsider a decision that I consider to be both unwise and shortsighted.

Sincerely,

THOMAS J. ANTON,
Professor, Political Science.

[From the Washington Post]

OMB FORMALLY RESHUFFLES ITS STATISTICAL TEAM

(By Douglas B. Feaver)

The Office of Management and Budget yesterday formally reshuffled the warm bodies in its defunct Statistical Policy Branch and transformed seven of them into paperwork warriors.

Statisticians who used to involve themselves with economic or statistical analysis for the OMB have become desk officers reviewing the reports, information-collection and regulation-writing efforts of various departments and agencies.

The others have been transferred to a new Regulatory and Statistical Analysis Division, which will worry about such things as "statistical policy issues that either require the cooperative effort of several agencies, or affect policy making or program management in several agencies," according to an OMB briefing sheet.

The abolition of the old OMB Statistical Policy Branch has been decried by, among others, Rep. Henry S. Reuss (D–Wis.), chairman of the Joint Economic Committee, as a move that would "confirm those who have dark fears of a massive statistical cover-up in the making."

Reuss' staff declined comment yesterday on the new organizational chart because they had not seen it, a spokesman said.

Other Capitol Hill sources said that the OMB's intentions appear to be good, but that it is impossible to tell whether the new plan will work.

There is general agreement inside and outside the OMB that statisticians are needed in the paperwork and regulatory review efforts.

The other question, however, is whether the OMB's new division will have enough personnel to deal with questions in governmental statistics-gathering that involve more than one agency.

Chrisopher DeMuth, administrator of the OMB's Office of Information and Regulatory Affairs, will be in charge of both efforts.

"This is not a plan to rob Peter to pay Paul in any way," DeMuth said. "If we do not do a better job in all our responsibilities, including statistical policy, we'll change it."

The new statistical policy office will concentrate, the OMB handout said, on building uniformity into statistical definitions (for example, what is a standard metropolitan statistical area?); coordinating cooperative efforts when statistical projects involve more than one agency; getting the statistically loudest bang for the statistically smallest buck; and making government statistics readily available to the private sector.

MOVING MONEY

(By Thomas J. Anton, Jerry P. Cawley, and Kevin L. Kramer)

Chapter 6

Epilogue: Who Knows Where the Money Goes?

Growth in federal government spending, a recurrent political issue, has become a topic of intensified concern. Apart from the traditional question of whether the federal budget should grow more or less rapidly, the quite extraordinary recent expansion of federal grants to state and local governments has heightened sensitivity to the impact of those decisions on state and local economies. Efforts to discover either who gets what from the federal purse or what difference federal money makes have led to a discovery that seems startling: *no one really knows where federal dollars are spent.* Debates over regional or local inequities produced by federal spending policies occur with increasing frequency but, absent a definitive source of information, there is little hope that these debates can be resolved. Perhaps for that reason, arguments appear to increase in stridency as well as frequency.

Having wandered extensively through the maze of federal reporting systems designed to provide information about spending patterns, we propose now to review the main dimensions of federal data ambiguity, to show that the absence of definitive information is not, after all, so startling, and to offer a series of recommendations that, if implemented, could significantly improve our understanding of the distribution of federal funds.

MONITORING THE MOVEMENT OF FEDERAL MONIES

By any standard, the massive movement of money in recent years from federal to state and local levels is impressive. Equally impressive is the lack of a single source of information or set of information sources that would enable the federal government (or anybody else) to state with accuracy how much money has been or is being spent by different federal agencies for various programs in different states and localities.

To appreciate how limited our ability to monitor the movement of federal monies is, we need only consider the kinds of data currently available for tracking federal fund flows. Recall that in FY 1978 the federal government spent $461 billion in budget outlays, $124 billion in tax expenditures, and had accumulated $440 billion in outstanding loan assistance. These obligations amounted to more than a trillion dollars ($1,000,000,000,000). Yet, available government-wide federal information systems permit the tracking of less than half of these dollars to state and local geographic areas. No federal information source reports tax expenditures below the national level. Both O.M.B. and Treasury publish national level data on credit activity, but only the Community Services Administration tracks loan assistance to states and localities, and then only for the "face value/obligation" of loans advanced during each fiscal year. No geographic profiles of either total loans outstanding or loan repayment schedules are now available.

Geographic impact of federal budget decisions is available but difficult to interpret. Three government-wide federal information systems report on the geographic distribution of various positions of federal budget outlays; no one report provides complete coverage. Treasury's *Federal Aid to States* report and the bureau of the Census' *Governmental Finances* reports confine their coverage to grants-in-aid: 17% of the total budget in FY 1978. Only the Community Services Administration *Geographic Distribution of Federal Funds* report attempts to comprehensively monitor the movement of federal budget expenditures into states and localities. The C.S.A. data system is thus the only information source that permits a response to the simple question "how much money was distributed by the federal government to states and localities in FY 197?."

Even if the focus is narrowed to grants-in-aid, (recall, only 17% of the budget), the Treasury, Census and C.S.A. information systems yield not one but three "official" answers to the question of where grants flow (see Table 6.1).[1] Whether or not any one of these three data systems is entitled to be judged "harder" than any other seems doubtful, but it is abundantly clear that they are very different systems, supporting very different conclusions regarding "who gets what." The sources of difference are worth noting:

1. Coverage of types of financial assistance programs varies across information systems, as do definitions of what constitutes distinct types of assistance, e.g., grants-in-aid. Census, Treasury and C.S.A. employ similar but not identical definitions of grants-in-aid.
2. Levels of programmatic detail reported by information systems varies considerably. Census reports clusters of distinct federal grants-in-aid programs lumped together into functional classifications. Treasury reports grants-in-aid totals grouped into clusters of related programs (about 90 to 120 separate listings each year). C.S.A. reports data on discrete program activities (over 1,700 in FY 1978).
3. Level of geographic reporting detail varies. Treasury reports state-level data; C.S.A. reports state, county and city data for all cities of 25,000 population or more; Census reports data for states, counties, cities, school and special districts (based on either sampling or census data collection procedures).
4. Information systems report different types of expenditure data. Treasury reports actual outlay data based on checks-issued. C.S.A. reports a mixture of obligations and outlays. Census appears to report mostly outlays for the data derived from O.M.B., Treasury and federal agency sources.

TABLE 6.1--NATIONAL LEVEL DIFFERENCES IN GRANTS-IN-AID TOTALS REPORTED IN C.S.A., F.A.T.S., AND B.O.C., FISCAL YEARS 1971-78 (THOUSANDS $)

FISCAL YEAR	GRANTS-IN-AID $			$ DIFFERENCES		
	C.S.A.	F.A.T.S.	B.O.C.	C.S.A.-F.A.T.S.	C.S.A.- B.O.C.	F.A.T.S. - B.O.C.
1970-71	31,140,966	29,272,078	26,145,600	1,868,889	4,995,366	3,126,478
1971-72	36,740,792	35,216,970	31,252,900	1,523,822	5,487,892	3,964,070
1972-73	46,734,680	43,056,508	39,255,600	3,678,172	7,479,080	3,800,908
1973-74	45,437,553	45,092,172	41,831,100	345,381	3,606,453	3,261,072
1974-75	63,687,843	48,569,836	46,994,200	15,118,007	16,693,643	1,575,636
1975-76	62,545,702	57,718,501	55,587,100	4,827,201	6,958,602	2,131,401
T.Q.	20,928,318	15,872,201		5,056,117		
1976-77	91,442,548	66,083,740	62,609,800	25,358,808	28,832,748	3,473,940
1977-78	85,953,407	75,293,471	69,592,400	10,659,936	16,361,007	5,701,071

5. The timeliness of the data varies. C.S.A. and Treasury data are released within five months after the close of the fiscal year. Census data are released a year or more after the close of the fiscal year; data for the Transition Quarter were never published.
6. Different fiscal years are employed across data bases. Treasury and C.S.A. data correspond to the federal fiscal year. Census employs the federal fiscal year in its collection of data from federal sources, but includes state and local data based on different fiscal years in its reports. If state and local fiscal years end within the fiscal year being reported, Census treats these fiscal years as equivalent to the federal fiscal year.

SOURCES OF VARIETY

Although analysts doubtless regard these varying numbers and the confusion they inevitably produce as perverse, the absence of a single, comprehensive and consistent record of federal spending seems to us quite understandable. No great insight is required to appreciate the enormous diversity of purposes pursued, and the heterogeneity of the agencies created to pursue them, by the entity referred to as "the federal government." It seems perfectly reasonable to suppose, therefore, that information needs will be as diverse as agency purposes require and that absent a strong demonstration of need, there will be no consistent and comprehensive data base. Even the data systems designed to be comprehensive are, as we suggest in Appendix Figures 1.1–1.3, established for different purposes, according to varying mandates, to service somewhat different user communities. Data systems, in short, do not exist in a vacuum; data are "created" because someone wants or needs information.

From this point of view, it is important to understand the fundamental tension involved in seeking to monitor the flow of federal program dollars through data systems oriented to tasks, rather than to programs. All federal spending is organized by programs, administered by bureaus within agencies and, as we have pointed out, program information available within agencies is typically quite accurate and timely. A data system to monitor government expenditures by location and through time would thus have to be built on such program information if it were to reflect the ideals of comprehensiveness and accuracy. Major information systems currently in use, however, are primarily task-oriented in design. The missions served by these information systems—financial control, managerial control, strategic planning—are not organized around individual programs, nor do they require geographic distribution information either at the individual or aggregated-program level.

Financial control information systems are designed to audit the cash flow of receipts and expenditures from accounts/funds, which encompass many and varied program activities. Since detailed program-level data are not required to fulfill this mission, the interest secondary-users may have in program information is far outweighed by the additional investments of time, personnel, and money required to collect it. Accounting systems, data collection procedures, and reporting mechanisms are designed accordingly.

Managerial control information systems are set up to monitor the expenditure of organization resources in the pursuit of program objectives. How much money is being spent on salaries, expenses, equipment replacement, transportation?—these are more pressing concerns than monitoring overall program expenditure patterns by geographic level. Such data are maintained, but usually on a program-by-program basis in separate information bases, not in an integrated information system. Accounting systems in managerial control information systems are thus primarily crafted to provide easily obtainable and intelligible policy evaluation information: assessing cash management policies, productivity, effects of administrative regulations.

Strategic planning information systems are budget oriented. How much money should be spent on what functional needs in the coming year? What revenue sources are available to fund these activities? National budget decisions are facilitated by aggregating clusters of program activities into broader functional and/or organizational categories, e.g., education expenditures or Office of Education expenditures. These categories, in turn, are related to financial control information (i.e., accounts and funds) so that financial disbursements and receipts pursuant to budget decisions can be monitored. Strategic planning information systems thus provide a wealth of information but the organization of this information is not primarily designed to highlight program operations: program-level data is often incomplete, and its presentation in budget tapes and documents often varies in format or detail from year to year, reflecting the changing information needs of the participants in the budget process.

In short, financial control, managerial control and strategic planning information systems offer incomplete program-level data at best. Few of these information systems provide detailed geographic data. Since program-level data reported by geographic levels would be necessary to systematically monitor intergovernmental fiscal flows, and since financial, managerial and strategic planning data bases are generally the only comprehensive information systems available, no single source of information exists that would permit accurate assessment of how much money has been spent, is being spent, or will be spent by department W, on program X, in state Y, for purpose Z, at either the federal, state or local levels.

TOWARD SELF-AWARENESS

It is by no means clear that the information gap we have tried to describe and understand should be regarded as a "problem." The government in Washington may not have a very clear idea of where its resources are being spent, but there is no apparent danger of government collapse as a result. Anyone who wants to, furthermore, can usually find out where individual program dollars are distributed, with a modest investment of time and effort reviewing annual agency reports, or visiting with relevant program managers. Before considering whether anything *can* be done to improve the quality of federal expenditure data, therefore, it is essential to ask whether anything *should* be done.

We believe that a strong case for information reform can be made on both political and practical grounds. Federal funds now constitute the largest single source of revenues available to state and local governments and, as our previous analyses have demonstrated, federal monies are more widely distributed among these jurisdictions than ever before. It is perfectly predictable, therefore, that political pressure to maintain or increase federal disbursements will intensify, and that distributive consequences of federal budget decisions will increasingly be debated. Whether or not federal officials want to know where federal dollars flow, local officials will *demand* to know. As a practical matter, furthermore, these pressures seem certain to create new incentives to generate more adequate program and location-specific information. Large contributions to other governments in a period of fiscal restraint inevitably elevate questions of impact to a higher level of significance. Program evaluation, already a powerful thrust in both Congress and the Executive Branch, can hardly be accomplished unless where, no less than what, is examined. For policy planning and evaluation, in short, better information is essential.

Assuming that information improvement should be a matter of high priority, the question of whether it can be accomplished remains. Washington, we have discovered, is full of skeptics, who deny the possibility even when they grant the utility of achieving a more accurate yet comprehensive data system. The problem is too huge, or too complex, or too costly to resolve, they say. We believe the skeptics are wrong, for two major reasons. First, data systems already exist that, with some additional effort, can become components of a more integrated and consistent data base. These include a large number of program and agency data systems, as well as the O.M.B.-Treasury systems for reporting grants-in-aid, and the C.S.A. system for reporting all federal program activity (see Appendix Figures 1.1–1.3). Second, the technical and personal relationships required to achieve greater accuracy are already in place. O.M.B., Treasury and C.S.A. data are based on accounting systems that are consistent with one another and linked by common inclusion of Treasury/O.M.B. agency-account identification codes. In addition, both O.M.B. and C.S.A. accounting systems employ O.M.B. schedule, type of fund, function and CFDA financial assistance program codes. Officials responsible for compiling and publishing data from these systems, furthermore, have cooperated with one another for years. Together they represent the human base on which a far more useful, technically accurate and comprehensive information system can be built.

What, then, might be done? Strategically, we believe it would be unwise and unproductive to attempt to define some "ideal" system and then seek to meet the requirements of the "ideal" system. Rather, we believe that any approach to reform should:

1. recognize the reality and legitimacy of the multiple purposes for which information systems are designed,
2. recognize the quality of many existing information systems,
3. seek to minimize both the cost and disruption to existing practices likely to follow from proposed changes, and thus
4. aim fundamentally at improving what now exists rather than devising a wholly new or different system.

To these ends, we offer the following recommendations:

A. RECOMMENDATIONS TO STRENGTHEN EXISTING DATA SYSTEMS

1. Automate the Treasury Department's Federal Aid to States report

Justification: *Federal Aid to States*, a major source of information, is now prepared entirely by hand. Changing to electronic data processing would improve the accuracy and versatility of the system by permitting machine verification of information and automated integration with agency and master account codes.

Feasibility: Excellent computer facilities are now available in Treasury. Entering data for all past years can be done in a matter of days, and annual entries into an automated system can easily be organized, at little or no additional cost.

2. Strengthen and enforce existing program-level reporting requirements in the Federal Information Exchange System

Justification: Pursuant to O.M.B Circular No. A-84, creating the Federal Information Exchange System, C.S.A. (the administering agency) has issued the following instruction:

> The basic level of reporting under each appropriation or fund is the program, for it is through the program that the true impact of the federal effect on community life is best identified. *Every effort should therefore be made to provide information by program.* (Emphasis added.)

Many reporting agencies, however, interpret this O.M.B.-C.S.A. guideline quite broadly, either by reporting obligations only by appropriation or fund, or by failing to report any obligations at all for certain programs. To remedy these deficiencies we recommend that the wording of C.S.A.'s annual "Instructions for Reporting of Federal Outlays By Geographic Location" be changed to read: "Obligations for all government-administered funds *must* be reported by program."

We further recommend that O.M.B. and C.S.A. enforce this requirement, as well as the existing requirement that all financial assistance programs listed in the *Catalog of Federal Domestic Assistance* report separate data for each program.

Feasibility: The Federal Information Exchange System is already in place, thus no additional personnel and only minimal additional effort by existing personnel are required to provide consistent program-level data. A less ambiguous instruction could in fact minimize the occurrence of misunderstandings that sometimes result in underreporting. For example, the Department of Transportation reported one figure for its Urban Mass Transportation Assistance programs in fiscal 1978, while the 1978 *Catalog of Federal Domestic Assistance* listed nine separate programs as active and funded by the same account/appropriation that year. Consultation between D.O.T. and C.S.A. clarified this point and all separate U.M.T.A. programs will be reported as of fiscal 1979.

3. Require agencies reporting to the Federal Information Exchange System to distinguish between grants to state and local governments and grants to non-governmental agencies or to individuals

Justification: Presently used "Type of Assistance" codes in the F.I.X.S. system do not permit a clear identification of formula and project grants to governments as opposed to grants to individuals or other non-governmental recipients. Reporting government grants separately would add clarity, reduce the disparity between F.I.X.S. data and Treasury-O.M.B. data, and bring F.I.X.S. reports into closer conformity with the grants-in-aid definition found in O.M.B. Circular No. A-11.

Feasibility: H.H.S., which accounts for the largest portion of domestic grants, already has the capability of making this distinction in its FARS system. Some additional burden would be placed on C.S.A., which would have to add three "types of assistance" codes to its reports, and on reporting agencies other than H.H.S., which would have to separately report grants to governments. Since this distinction is already required by the A-11 budget circular, the additional reporting burden seems minimal.

4. Identify obligations reported in F.I.X.S. that are allocated to a single unit but largely redistributed to other units

Justification: A number of program obligations reported in the F.I.X.S. system are allocated to a single county or city because the recipient agency is located in that jurisdiction, even though it is known that such obligations are in fact largely re-distributed among other jurisdictions within a given state or area. Many of these obligations are assigned a code (99) that indicates accuracy "at the level reported." While technically correct, this code assignment artificially inflates outlays reported in state capitol or consortium counties and cities. Identifying such reported obligations would alert users to a potential bias in the data and permit more careful secondary analysis.

Feasibility: C.S.A. already has the capacity to identify most of these program obligations and would therefore require little more than a new proration code. Some additional effort would be required from a few reporting agencies.

B. RECOMMENDATIONS TO BRING ABOUT GREATER CONSISTENCY AND INTEGRATION AMONG EXISTING DATA SYSTEMS

5. Develop master geographic crosswalk files and require agency utilization of such files

Justification: Census, F.I.X.S., and G.S.A. all have developed comprehensive codes to identify state and local jurisdictions but their use varies from agency to agency. Individual agencies, moreover, often have their own geographic codes, different from the more comprehensive coding systems. As a result, data from different agencies are often difficult to reconcile geographically or, in some cases, data are not reported at all because such reconciliations cannot be made. H.U.D., for example, does not report data on one of its largest programs, Section 8 Housing Assistance, to the F.I.X.S. system, primarily because H.U.D.'s own place codes have not been reconciled with the G.S.A. codes utilized by F.I.X.S. to identify cities. A simple geographic crosswalk between H.U.D. and G.S.A. codes would entirely resolve this problem.

Feasibility: Geographic code crosswalks are not difficult to develop—indeed, we have included one in this report (see especially the city data file). Only a modest investment of time and resources would be required, although securing agency cooperation in the use of standard codes might impose some additional burden. A central agency such as the Office of Federal Statistical Policy and Standards, or perhaps O.M.B., would presumably have to carry this burden.

6. Reconcile alternative agency classification codes

Justification: O.M.B., Treasury and C.S.A. all use different codes to identify federal spending agencies, primarily because their data systems are designed to serve different purposes. Multiple classification codes, however, confound efforts to discover which agencies are spending how many dollars in any given year. A simple agency identification crosswalk, showing different codes attached by O.M.B., Treasury and C.S.A., would facilitate summaries of federal spending, without disturbing existing classification codes.

Feasibility: Very little time or effort would be required to develop such a crosswalk, either by hand or by machine.

7. Develop agency-account-program crosswalks across time

Justification: New programs, administrative reorganization or simple accounting changes often result in modifications of agency or program identification codes from one year to the next. A single code, that would permit identification of the same agency or program across a number of years, would facilitate construction of historical expenditure records and thus aid both program evaluation and policy planning.

Feasibility: Considerable effort would be required to develop such crosswalks, given the large number of agencies that receive appropriations and expend funds. Technically, however, there are no major obstacles, Appendix Table 6.2 taken from 1978 C.S.A. data, illustrates the feasibility as well as the complexity of such an effort.

8. Perform and publish detailed yearly reconciliations of C.S.A., O.M.B., and Treasury data

Justification: Yearly reconciliations of C.S.A.'s Federal Information Exchange System, O.M.B.'s *Budget Appendix*, "Federal Aid to State and Local Governments," the *Catalog of Federal Domestic Assistance*, and Treasury's *Federal Aid to States* data would provide: (1) a check on the degree of compliance with O.M.B., Treasury and C.S.A. circulars and reporting instructions which require that data submitted for each of the data bases be consistent with data also submitted to one or more of these information systems, (2) a measure of improvement in efforts to establish reporting consistency across information systems, and (3) documentation of how policy recommendations based on one of these data bases might differ with the use of another data base.

Feasibility: O.M.B. and Treasury currently reconcile "Federal Aid to State and Local Governments" with *Federal Aid to States*, and C.S.A. has undertaken reconciliations of the Federal Information Exchange System data with O.M.B.'s *Budget Appendix* and the *Catalog of Federal Domestic Assistance* data. Reconciliations of the Federal Information Exchange System and *Federal Aid to States* data have also been undertaken. (For examples of such reconciliations see Appendix Tables 6.3–6.6.) Technical considerations thus present no major problem, especially if recommendations to develop agency, program and geographic crosswalks are adopted. The major cost of implementing this recommendation would be the time required to perform the reconciliations, a commitment that would progressively decrease after initial start-up costs develop a standard reconciliation procedure.

C. RECOMMENDATIONS TO IMPROVE DATA FOR ANALYTIC OR POLICY-PLANNING PURPOSES

9. Integrate existing program data into comprehensive data systems

Justification: A number of high-quality data systems, not now incorporated into any of the comprehensive data systems, are maintained by program or agency units:

H.E.W.'s (now O.E.'s) Section 437 Education Program Data or the recently implemented Defense Department Procurement Data System are examples. Integrating such systems into existing comprehensive systems, particularly the F.I.X.S. data base, would greatly enhance the federal government's capacity for management and policy evaluation. If the crosswalks recommended above were developed, furthermore, improved data would in time provide a base for easily accomplished data aggregation by agency or bureau, and thus create a broader base for strategic planning.

Feasibility: Systems for reporting such information are in place, but additional resources would be required for full integration.

10. Integrate available demographic and fiscal information into comprehensive expenditure data systems

Justification: The federal government now maintains a number of useful data bases that measure various social, economic and demographic characteristics of state, county, and local jurisdictions. If existing expenditure data systems were reconciled to provide cross-agency and cross-time consistency, and these data merged into files that included socio-demographic information, a variety of powerful analyses could be easily accomplished (see Appendix Figure 1.1). Formula construction or evaluation, "targeting" issues, impact analyses or agency-program effects by jurisdiction and across time are among the important problems that could be addressed with considerable speed and comprehensiveness.

Feasibility: Technical problems in merging different data bases exist, but are resolvable. Efforts to achieve this objective are already under way, both in the Executive Office of the President (the Domestic Information Display System, or DIDS) and in Congress (organized by the House Information System). Personnel and resources are thus available now. Some increment in resources would be required to add momentum to these efforts.

CONCLUSION

None of the recommendations offered above require major changes in current relationships or resource levels. Most, in fact, can be implemented with existing personnel, existing budgets and existing procedures. In one or two cases resource increments are implied, but we believe those increments would be quite modest. Although these proposals are thus "incremental" rather than "fundamental," implementing them could produce a substantial improvement in our understanding of federal spending patterns. Comprehensive data systems would become more consistent across time, differences between existing data systems would be more easily-identified and understood, analyses of fund distributions would become easier to accomplish and more timely, if more fundamental changes were desired at some later point, they could be more efficiently planned and achieved. We believe these are worthy goals that are achievable in the short rather than the long-run future. What is required most of all, therefore, is a commitment to achieve them.

NOTE

1. Readers interested in state-level difference are directed to Appendix Table 6.1, which reports totals derived from each of these data sources for all states and the District of Columbia from 1971 through 1978.

United States
Department of
Agriculture

Office of
Rural Development
Policy

Washington
D.C
20250

MAY 25 1982

Honorable David Durenberger
Chairman, Subcommittee on Inter-
  governmental Relations
Committee on Governmental Affairs
Washington, D.C 20510

Dear Mr. Chairman:

The Rural Development Act of 1972 (P.L. 92-419), as amended by the Rural Development Policy Act of 1980 (P.L. 95-355), requires that the Secretary of Agriculture provide leadership within the executive branch for coordinating a nationwide rural development program. A specific requirement of the Rural Development Act, Section 607(b)(1), is that "The Secretary shall conduct a systematic review of Federal programs affecting rural areas to (A) determine whether such areas are benefiting from such programs in an equitable proportion to the benefits received by urban areas...." Subject to the policy guidance and direction from the Secretary and Under Secretary for Small Community and Rural Development this broad responsibility has been delegated to me as Acting Director of the Office of Rural Development Policy (ORDP).

We are pleased that the Office of Management and Budget (OMB) has developed the Federal Assistance Award Data System (FAADS) to collect and aggregate uniform information on domestic financial assistance actions made by Federal agencies. The FAADS system has several major benefits over previous information systems. First, as we understand it, FAADS will provide needed detail on each individual financial assistance transaction. Second, the information will be timely, since the data will be available on a quarterly basis. Third, the data will be real, since they are based on actual financial transactions, not estimates. We believe this information will aid state and local governments in rural areas. Likewise, we feel that this system will aid the Congress in tracking the flow of funds.

We will depend on analyses of the FAADS data in conjunction with other information to meet the legal requirement I outlined above. We therefore have several concerns. First, the quality and the accuracy of the data available from FAADS must be assured. We are concerned about the initial error rates ranging from as high as 40 to 60 percent on certain items reported by some users of the FAADS data at a recent meeting at OMB. It is important for our purposes that unique program identifiers such as the Catalog of Federal Domestic Assistance numbers, and the county codes, and the amount of funds be included on the transactions or be aggregated at the county level. So long as these high levels of error persist and we do not have alternative sources of information, we will have difficulty meeting our legal obligation in a very satisfactory manner.

Second, the coverage of the data may not be as comprehensive as previous sources of information. For example, property transfers, federal pensions, and administrative agency costs will not be included in FAADS because they are not financial assistance transactions. Under the present system FAADS will need to be combined with several other data sources such as those from the Federal Procurement Data Center and from the Office of Personnel Management in order to try to get at this additional information. OMB has expressed its intention to report on most other forms of Federal outlay, but there seems to be some doubt in the interested community that all such forms will be covered. OMB needs to make its plans abundantly and unequivocally clear on this question. When data systems are mistrusted, no matter how good they are, their value is reduced.

In conclusion, we believe that the FAADS system will provide timely information on a wide variety of government activities affecting rural America. However, we think that OMB and the Bureau of the Census must be committed clearly to the improvement of FAADS in the several areas I have outlined, if we are to have a source of information with which to meet our legal obligation.

Sincerely,

Willard Phillips Jr

WILLARD (BILL) PHILLIPS, JR.
Acting Director
Office of Rural Development Policy

DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
WASHINGTON D.C. 20301

(Information Operations
and Reports)

29 APR 1982

MEMORANDUM FOR MR. GRAYDON LOSE

SUBJECT: Information Support for Congressional Budget Request

This is in response to your request number SA 170/82, dated April 23, regarding an inquiry from Mr. Larry Hunter of the Senate Committee on Governmental Affairs, Subcommittee on Intergovernmental Relations.

The Office of the Secretary of Defense is aware of the need for information on the geographic distribution of Federal funds as expressed in the first paragraph and throughout the Comptroller General's letter of March 10 to Senator Stasser. At the request of OASD(Public Affairs) and at the direction of Mr. Cooke, this office is preparing an issuance to continue reporting of the data as a Department of Defense requirement. Accordingly, there will not be a gap in the availability of DoD expenditure data.

Mr. Hunter's specific question was what DoD data currently provided by the Geographic Distribution of Federal Funds (GDFF) information system is not or will not be available in the Federal Procurement Data System (FPDS), Department of Treasury publication on Federal Aid to States (FAS), and Federal Assistance Awards Data System (FAADS). An explanation of what DoD data are included in each of the three systems is shown below.

1. The Office of Federal Procurement Policy Act, P.L. 93-400, required the Administrator of OFPP to establish "...a system for collecting, developing, and disseminating procurement data which takes into account the needs of the Congress, the executive branch, and the private sector." The Federal Procurement Data System, established under this Public Law, can only require procurement data. The FPDS includes the same data that are shown in the GDFF example entitled Civil Functions Prime Contracts; Military Prime Construction Contracts; Military Prime RDTE Contracts; Military Prime Service Contracts; Military Prime Supply Contracts; and Prime Contracts of Less Than $10,000. These entries accounted for 59 percent of the total DoD fiscal year 1980 funds.

2. The Federal Aid to States publication includes the same data that are shown in the GDFF example entitled Grant Funds - Military Construction, Army National Guard. This was 0.01 percent of the total DoD fiscal year 1980 funds.

3. Coverage in the Federal Assistance Awards Data System is the same as in the FAS publication shown in subparagraph 2 above.

Not included in any of the three aforementioned systems are DoD payroll outlays data entries in the GDFF example entitled Civilian Pay; Military Active Duty Pay; Military Reserve and National Guard Pay; and Military Retired pay. These entries accounted for 41 percent of the total DoD fiscal year 1980 funds.

J. Sungenis

J. R. Sungenis
Director

SOUTHERN GROWTH

Box 12293 Research Triangle Park, North Carolina 27709 919-549-8167

June 22, 1982

The Honorable David Durenberger
United States Senator
Chairman, Subcommittee on Intergovernmental
Relations
507 Carroll Arms
Washington, D.C. 20510

Dear Senator Durenberger:

Thank you for the opportunity to present written testimony for the official record of the Subcommittee on Intergovernmental Relations regarding continued publication of the Geographic Distribution of Federal Funds, S.2386, and S.J. Res. 146. My written statement is attached.

Sincerely,

Bob Graham

Robert Graham
Governor of Florida
Chairman, Southern Growth Policies
Board

RG/lwb
attachment

STATEMENT TO THE SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS ON S.2386 AND S.J. RES. 146

by

The Honorable Robert Graham
Governor of Florida
Chairman, Southern Growth Policies Board

I would like to thank the Chairman and the members of the Committee for this opportunity to express the concerns of the Southern Growth Policies Board on the discontinuation of publication of the Geographic Distribution of Federal Funds (GDFF) and to comment upon S.2386 and S.J. Res. 146.

The Southern Growth Policies Board is an interstate compact organization of 12 southern states and the Commonwealth of Puerto Rico. One of the Board's primary functions is to assemble objective information and make recommendations with respect to growth problems and opportunities in the South. Undeniably, the federal government has been an important contributor to the development of the South, its economy, and its people. The type of information which has been available in the GDFF has been a valuable resource in the analysis of federal policy and its impact on our region.

The GDFF has been useful to decision makers in our region in planning and implementing numerous federally funded programs. State agencies and planning departments have used and would continue to use this data resource in maintaining and improving their implementation systems.

I also believe that this information can be valuable in the deliberations currently underway on the President's New Federalism proposals. Certain functions currently performed at the federal level can be effectively administered at the state and local level. Determining the method of returning these programs to the states and localities and of funding them at adequate levels requires intensive analysis--analysis which can be performed more easily, reliably, and consistently with the type of data available in the GDFF. In order to succeed, the federalism plan must not be biased against any level of government or any region. This fairness can be assured only with careful planning and analysis, which of course requires extensive and reliable data.

Too often, our interest in federal policy becomes obvious only during Congressional battles over distribution formulas. As unfortunate as this may be, to eliminate essential information, such as that contained in the GDFF, can only lead to less well-informed deliberations on the part of the Congress and less authoritative information which SGPB and similar organizations throughout the nation can provide to their respective state and local governments. To eliminate essential sources of information can only lead to poorer decisions at all levels of government. The GDFF is useful not only in determining how the federal pie is cut but also in serving as a useful policy tool to match federal expenditures with indicators of distress. Unlike the comparison of federal dollars returned to tax dollars paid, more rigorous analysis can pinpoint federal program efficiency and targeting efficacy.

To equate good federal policy with an absolute dollar for dollar trade is to ignore the redistributive function of the federal government. The federal government's largest revenue source is the progressive personal income tax, which takes relatively more from the wealthier, and uses those dollars to help "bootstrap" underdeveloped areas and to meet basic needs for needy individuals. The progress of the South over the past decade is evidence of the success of much of this federal policy. Nevertheless, our success is not yet complete. Newspaper headlines proclaiming the Sunbelt's predominance in all sectors overlook the continuing problems of our region and switch the policy debate away from the development of national policy based on equity. The type of data available in the GDFF is essential to maintain our policy debates on an appropriately informed level.

Once again, I would like to thank the committee for this opportunity to express our position and commend the Senate on its consideration of S.2386 and S.J. Res. 146.

Office of the Governor
Office of Federal Affairs
La Fortaleza, San Juan, Puerto Rico

June 18, 1982

The Honorable James S. Sasser
United States Senate
260 Russell Senate Office Building
Washington, D. C. 20510

Dear Senator Sasser:

Governor Carlos Romero-Barceló asked that I send you copy of the letter which he sent Mr. David Stockman at the Office of Management and Budget regarding the discontinuation of the "Geographic Distribution of Federal Funds." He is also most concerned that the best source of data on federal spending not be lost.

Thank you for your initiatives in furthering legislation that will mandate the continuation and strengthening of this data source.

Sincerely,

Walter J. Dávila
Director

Enclosure

Office of the Governor
La Fortaleza
San Juan, Puerto Rico 00901

June 18, 1982

Mr. David Stockman
Director
Office of Management and Budget
Old Executive Office Building
17th and Pennsylvania Avenue, N.W.
Washington, D. C. 20500

Dear Mr. Stockman:

We have been informed by your Federal Assistance Information Branch (OMB) that the "Geographic Distribution of Federal Funds by State" (GDFF) will no longer be published.

The remaining sources of information on federal funds are the data of both the bureau of the Census and the Department of the Treasury, which are very limited in scope.

The GDFF was our most important source of information on a program by program basis. Not having this available would force the States to develop their own sources which would preclude uniformity and comparability.

I urge that you reconsider the decision.

Cordially,

Carlos Romero Barceló

Carlos Romero-Barceló

CRB:WJD:mf

From the AMERICAN STATISTICIAN, November 1981

A Report and Comments on Improving the Federal Statistical System

Overview

HARRY M. ROSENBERG*

The President's Reorganization Project for the Federal Statistical System in 1979 recommended establishment of an Office of Statistical Policy in the Executive Office of the President, functioning as a separate agency reporting to the president and accountable to the Congress. That office would be the focus of federal statistical coordination and policy. The Final Report of the project, which follows, describes the rationale and historic background for the project's recommendations and the mission and functions of the proposed office. Comments on the report are provided, as is a description of subsequent legislation that has resulted in statistical reorganization that differs from that recommended by the project and approved by the president.

KEY WORDS: Statistical policy; Statistical reorganization; Statistical coordination; Federal statistics; Reorganization.

The President's Reorganization Project for the Federal Statistical System, under the direction of James T. Bonnen of Michigan State University, issued a report in 1979 entitled "Improving the Federal Statistical System." That report, reproduced in this issue of *The American Statistician*, was the basis for a presidential decision in January 1980, which called for an office of statistical policy and coordination in the Executive Office of the President. That decision was not implemented. As is said in the comments that follow the report reprinted here, a different form of statistical reorganization has resulted from recent legislation, whose central features for statistical organization at the federal level are described and discussed.

Because it is felt that the issues that gave rise to the Bonnen project's work are highly relevant today, and because it is felt that solutions proposed by the Bonnen project—and widely recommended in the statistical community—are important solutions to problems of statistical policy and organization, the editors of *The American Statistician* reprint the Final Report of the project. In addition, three statisticians with distinguished experience in federal agencies comment on the report in light of changes—administrative, legislative, and political—that have occurred since the report was prepared. Dr. Bonnen, Project Director for the President's Reorganization Project for the Federal Statistical System, also provides a retrospective assessment of the report and of subsequent developments as they bear on federal statistical organization. As a conclusion, Dr. Joseph Duncan, the Assistant Administrator for Statistical Policy of the new Office of Information and Regulatory Affairs in the Office of Management and Budget, describes the status and functions of his office, which was created by the Reagan Administration as part of the implementation of the Paperwork Reduction Act of 1980.

[Received and revised June 1981.]

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* Harry M. Rosenberg, an Associate Editor of *The American Statistician*, is Chief, Mortality Statistics Branch, Division of Vital Statistics, National Center for Health Statistics, 3700 East-West Highway, Hyattsville, MD 20782.

Improving the Federal Statistical System: Report of the President's Reorganization Project for the Federal Statistical System[*]

JAMES T. BONNEN, THEODORE G. CLEMENCE, IVAN P. FELLEGI,
THOMAS B. JABINE, RONALD E. KUTSCHER, LARRY K. ROBERSON,
AND CHARLES A. WAITE[†]

1. THE PROBLEMS

Unlike most other countries, the United States has a decentralized statistical system. For most of its history this system has worked well. Starting with the constitutionally mandated decennial census as a core activity, United States statistical agencies have, over the years, developed exemplary statistical programs to serve the needs of policy makers and other users in agriculture, industry, domestic and foreign trade, labor, health, education, and other areas. United States statistical agencies have pioneered in developing new technologies, such as sampling and digital computers, that have greatly expanded the ability of all nations to collect, process, and disseminate useful statistics.

In recent years, however, especially during the last two decades, this decentralized statistical system has lost some of its effectiveness. Major new demands have been placed upon it and there have been significant changes in the environment in which it operates. The role of government in society and the economy has greatly expanded. Billions of dollars are allocated to state and local governments every year under legislated formulas that depend on federal statistical series. The total amount allocated by formulas has been estimated at around $60 billion in fiscal 1979, $29 billion of which were allocated using just six federal statistical series. Even larger federal expenditures and a major part of private sector wages are affected by federal statistics on prices. There has been a large increase in the number of government agencies and programs requiring statistical data to support policy decisions and the evaluation of their activities.

There are now more than 100 federal agencies with statistical programs. Most of the general or multipurpose data provided by the federal government come from 38 agencies that are either entirely statistical or have major programs to collect or analyze statistics. The total budget of these 38 units has grown about tenfold in real terms over the last 30 years, to $945 million in 1979, and the number employed has grown fivefold, to 30,000, in the same period.

The need for government-wide planning and coordination of statistical programs has long been recognized. The unit created to perform this function was located in the Office of Management and Budget (originally the Bureau of the Budget) from 1939 to 1977, following a five-year history as the Central Statistical Board.

The initial efforts of the coordinating unit were relatively successful. However, this unit has not had the resources or the institutional authority to cope with the dramatic growth of data collection and analysis that has occurred in recent decades. In fact, its staff declined from 69 to 29 persons over the 30-year period from 1947 to 1977. The statistical policy and coordination functions today are understaffed even to meet minimal requirements and lack the institutional authority to ensure a cohesive statistical program across the government.

National policy information needs now require a system performance. A decentralized statistical system can only function as a system if it has strong overall coordination and planning. Without such direction, it cannot properly be called a system, and it cannot deal effectively with the problems that afflict a fragmented, uncoordinated collection of statistical activities. The most important of these problems today are

1. *Lack of policy relevance*—Greater analytical capacity is necessary to develop the information base for national-level policy decisions of the president, the cabinet, and Congress. Clearly established national statistical priorities are urgently needed. While the current system provides a wide variety of data, these data

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[*] Reprinted with minor revisions from *Statistical Reporter*, May 1980, 80-8, 197–212. A more detailed analysis of the question by the President's Reorganization Project for the Federal Statistical System can be found in "Improving the Federal Statistical System: Issues and Options," *Statistical Reporter*, February 1981, 81-5, 133–221.

[†] James T. Bonnen, formerly Executive Director of the President's Reorganization Project for the Federal Statistical System, is Professor of Agricultural Economics, Michigan State University, East Lansing, MI 48824. Theodore G. Clemence, formerly Chief of the Office of Program and Policy Development, Bureau of the Census, is Senior Advisor to the Deputy Director, Bureau of the Census, U.S. Department of Commerce, Washington, D.C. 20233. Ivan P. Fellegi is Assistant Chief Statistician, Social Statistics Field, Statistics Canada, Ottawa, K1A OT6 Canada. Thomas B. Jabine, formerly Chief Mathematical Statistician, Office of Research and Statistics, Social Security Administration, is now a statistical consultant, 3231 Worthington St., N.W., Washington, D.C. 20015. Ronald E. Kutscher is Assistant Commissioner, Bureau of Labor Statistics, U.S. Department of Labor, Washington, D.C. 20212. Larry K. Roberson is Statistician, Statistical Reporting Service, U.S. Department of Agriculture, Washington, D.C. 20250. Charles A. Waite is Chief Economist, Bureau of Economic Analysis, U.S. Department of Commerce, Washington, D.C. 20230.

are not employed adequately for objective analyses of the complex issues that cut across present department and policy decision structures. The system has frequently failed to anticipate the need for data to be used in dealing with emerging policy problems. Failure to anticipate major data requirements leads to unnecessary conflict over the nature of problems and policy options. As a consequence, it also leads to rising political pressures on statistics and statistical agencies. Analytical capacity applied to the development of policy information needs in the Executive Office of the President should also assist in identifying national priorities for statistics.

2. *Periodic threats to integrity*—For the public to trust the data provided by the federal statistical system, it must be sure that the data are not subject to actual or perceived manipulation and that the objectivity of federal statistical data is fully protected. While the record is good, there have been occasional problems. Most important, the rapidly growing practice of using statistical data for indexing inflation and for allocating federal expenditures is greatly increasing these concerns. Systematic vigilance and stronger institutional protection are needed.

3. *Inadequate quality*—The statistics produced in small statistical units, or as a byproduct of administrative and regulatory data, are often unreliable and poorly designed for their purpose. For a variety of reasons, some beyond the control of the firms involved, the growing volume of contracted data collection and analysis are too frequently of poor statistical quality. Attention needs to be addressed to quality issues in agencies where data collection efforts are relatively small and where a "critical mass" of statistical know-how is not available.

4. *Inadequate protection of privacy of respondents who provide statistical records*—High-quality data can be ensured only if the federal statistical system is able to promise effective protection of the confidentiality of data supplied by persons and businesses. In developing protection of confidentiality, there is also a need to reduce duplication and improve efficiency through authorized sharing of these data among federal agencies but only for statistical purposes and under carefully controlled conditions.

5. *Excessive paperwork*—Although statistical data collection accounts for only three percent of the total federal paperwork burden, this burden should be held to a minimum. Of greater significance, the methods used for reducing burden in statistical inquiries (sampling, standardization, synthetic estimates, etc.), should be aggressively applied in the collection of data by the government for administrative and regulatory purposes. This could substantially reduce the burden imposed by administrative and regulatory agencies and, at the same time, make the data more generally useful.

The highly decentralized nature of federal statistical work tends to serve rather effectively the policy needs of program agencies and departments where statistical functions are well organized and managed. However, some departments' statistical functions are not well ordered or developed. Also, the relevance of statistical work for presidential, congressional and other national-level public decision making, while substantial, is far short of both capacity and needs. Increasing the relevance of federal data for national-level policy purposes, protecting integrity, improving the quality of data, achieving more efficient utilization of the great diversity of data already produced, and reducing the burden of paperwork on the public all require greater central coordination of statistical activities.

2. THE STATISTICAL REORGANIZATION PROJECT

Prior to 1977, the functions of statistical policy and coordination and of clearance of reports were performed by the Statistical Policy Division of the Office of Management and Budget (OMB). The coordination functions were transferred in October 1977 to the Department of Commerce by Reorganization Plan No. 1 of 1977 and placed in the newly created Office of Federal Statistical Policy and Standards (OFSPS). Reports clearance authority remained in OMB. OFSPS has legal authority to establish statistical policies and standards and to coordinate statistical programs under Section 103 of the Budget and Accounting Procedures Act of 1950. Its recommendations to OMB on statistical budgets and priorities are advisory, as are its recommendations regarding approval or disapproval of forms and reporting plans subject to the Federal Reports Act. These advisory roles are presently limited as a result of inadequate resources, less than effective planning mechanisms, and the perception of being too closely associated with one department's perspective.

The Statistical Policy Division grew increasingly vulnerable and was not functioning well in the OMB environment before statistical coordination and policy were transferred to the Commerce Department in 1977. The administration indicated at the time that the move was not permanent and that a final decision on statistical policy and coordination functions would be made only after a complete evaluation of statistical problems and needs by the President's Reorganization Project.

Early in the Carter administration, concerns were raised about various perceived statistical problems in federal policy making. It was soon apparent that a number of these concerns were widely shared in other parts of the executive branch, the Congress, the private sector, and in the federal statistical system and its associated disciplines and professions. It was suggested that as a part of the President's Reorganization Project, federal statistics should be examined.

In July 1977, OMB convened a conference of major public and private users and producers of federal statistics to help identify the problems of the federal system and to evaluate their relative importance. The participants in the 1977 OMB conference on federal statistical problems, the staff of the statistical reorganization project, its Advisory Committee, and virtually all, in or out of government, who reviewed the project's November 1978 "Issues and Options" paper concluded that the coordination of our decentralized federal statistical system must be strengthened markedly. It is clear that the existing unit for statistical policy, coordination, and standards, OFSPS, lacks both the institutional authority and resources to do what is needed.

It was subsequently decided that the problems were significant and warranted establishing a statistical reorganization project. The executive director for the Project, Dr. James T. Bonnen of Michigan State University, was selected in the fall of 1977 and arrived in Washington on February 1, 1978, to begin work on the project under the direction of Wayne G. Granquist, associate director for management and regulatory policy in OMB. A draft plan of work was developed and, following the president's formal announcement of the project on May 11, 1978, it was distributed widely in and out of government for review and suggested modifications.

Five project task forces were formed in June 1978 from experienced statistical agency personnel. These task forces were established to review previous analyses of major statistical issues, to evaluate the possible alternatives and to make recommendations to the project director by the end of September 1978 (see Table 1). Also in June, an Advisory Committee to the project was announced. Its eight members were experienced nongovernment users of federal statistics (see Table 2). A small, highly capable and experienced staff recruited from statistical agencies was fully in place by early September 1978.

Starting from the output of the task forces, the staff developed an "Issues and Options" paper, which defined the statistical issues and analyzed the feasibility and impact of possible alternative solutions. This paper was evaluated by the project's Advisory Committee at its second meeting on November 20–21, 1978. It was edited and 400 copies were distributed widely in and outside of government to elicit further critical review of the potential options. Following evaluation of the more than 200 responses, the project presented a revised set of options for review by the Advisory Committee at its February 16–17, 1979, meeting.

The options presented to the Advisory Committee for strengthening statistical coordination varied greatly. Some options would have centralized existing statistical agencies into one or a few organizational units,

Table 1. Federal Statistical System Project Task Forces[a]

1. *Planning and Coordination*

Joseph R. Antos, *Bureau of Labor Statistics*
Donald H. Barrowman, *Economics, Statistics, and Cooperatives Service*
Conrad Fritsch, *Economics, Statistics, and Cooperatives Service*
Paul E. Grayson, *Internal Revenue Service*
Max Shor, *Bureau of the Census*
Robert Tap, *Transportation Systems Center*
[b]Jack E. Triplett, *Bureau of Labor Statistics*
Charles A. Waite, *Bureau of Economic Analysis*

2. *Clearance and Respondent Burden*

Peter M. Cavas, *Bureau of the Census*
[b]William L. Copeland, *National Institutes of Health*
Richard J. Schrimper, *Economics, Statistics, and Cooperatives Service*

3. *Access to Data, Privacy and Confidentiality*

Lois A. Alexander, *Social Security Administration*
William Smith, Jr., *Internal Revenue Service*
Peter B. Yates, *Bureau of Labor Statistics*
[b]Paul T. Zeisset, *Bureau of the Census*

4. *Policy Relevance, Integrity and Quality of the Statistical System*

Yoshio Akiyama, *Federal Bureau of Investigation*
Charles Ardolini, *Bureau of Labor Statistics*
Norman Frumkin, *Bureau of Economic Analysis*
[b]W. Richard Johnsen, *Energy Information Administration*
Charles E. Johnson, Jr., *Bureau of the Census*
Don Luria, *Bureau of the Census*
Wes Mellow, *Bureau of Labor Statistics*

5. *Federal/State/Local Data Systems*

Paul A. Armknecht, *Bureau of Labor Statistics*
[b]Thomas R. Daugherty, *Energy Information Administration*
Dayton P. Jorgenson, *Bureau of the Census*
Lloyd E. Lyons, *Department of Housing and Urban Development*

Other Supporting Personnel

[c]W. Lorn Harvey, *Energy Information Administration*
Henrietta Hyatt, *Department of Health, Education, and Welfare*
Betty Mahoney, *Department of Health, Education, and Welfare*
Gary Shapiro, *Bureau of the Census*
Randy Spoeri, *Bureau of the Census*
Eleanor Stockwell, *Federal Reserve Board*
Lewis Williams, *Bureau of the Census*

[a] Affiliations as of May 1980
[b] Indicates Chairperson
[c] Assistant to Project Director for Organizational Analysis.

while others left the agencies intact and directly strengthened the authority, resources, and institutions for coordination of the system. After extensive evaluation, the project discarded centralization of the system as an excessively disruptive and costly approach.

The project then began developing its recommendations, which were discussed widely through the spring of 1979 with statistical agencies and others directly affected by the proposed changes. The authority, organization, and location of the statistical policy functions were explored at length. A Presidential Decision Memorandum was drafted and extensively reviewed in OMB before being sent by the director to the president and to other presidential advisors in the Executive Office of the President in late December 1979. The president made his decision in mid-January 1980.

3. THE SOLUTION: AN OFFICE OF STATISTICAL POLICY

The statistical reorganization project recommended, and the president approved, establishment of an Office of Statistical Policy (OSP) in the Executive Office of the President for the coordination of the federal statistical system. This office would function as a separate agency in the executive office, reporting to the president and accountable to the Congress.

The mission of the office would be to

- Ensure the policy relevance, quality, and integrity of statistical data and analyses produced by agencies of the federal statistical system;
- Develop plans so that the federal statistical system will be able to meet future information needs efficiently in the face of technological, social, and economic changes;
- Assist is minimizing the burden on all persons and organizations asked to supply statistical or other data to the federal government;
- Maintain a proper balance between protecting individual and business rights to privacy and confidentiality and meeting information needs for public policy.

The Director of the Office of Statistical Policy, with the authority and resources to carry out this mission, (1) would play a major role in identifying and responding to major information needs for national policy, (2) would serve, when necessary, as the authoritative spokesperson for the federal statistical system, and (3) would be able to make an effective attack on the problems described in Section 1.

The specific functions assigned to the Office of Statistical Policy to carry out its mission are listed here under six broad headings. For more detail see Appendix A.

Program Planning

- Fulfill a major role in coordinating planning and budgeting for federal statistical programs (Section 5 has a description of OSP's role in this area).

Table 2. Federal Statistical System Project Advisory Committee[a]

Graham T. Allison, Jr.
Dean, Kennedy School of Government
Harvard University
Cambridge, Massachusetts

Vincent P. Barabba
Director of Marketing Research
Xerox Corporation
Rochester, New York

Patrick Caddell
President, Cambridge Survey Research
Washington, D.C.

William H. Kruskal
Dean, Division of the Social Sciences
The University of Chicago
Chicago, Illinois

Richard Ruggles
Professor
Department of Economics
Yale University
New Haven, Connecticut

William H. Shaw
Consultant
Silver Spring, Maryland

Eleanor B. Sheldon
President, Social Science Research Council
New York, New York

Phyllis A. Wallace
Professor
Department of Economics
Massachusetts Institute of Technology
Cambridge, Massachusetts

[a] Affiliations as of May 1980.

- Prepare long-range plans for the adaptation of statistical programs to structural and technological changes.
- Promote effective use of administrative records and regulatory reports for statistical purposes.
- Develop legislative initiatives and review proposed legislation, regulations, and guidelines that affect federal statistical programs.

Review Clearance and Burden Control

- Perform technical review of the statistical quality of all federal data collection plans.
- Exercise delegated clearance authority for all statistical data collection plans and forms.
- Conduct research on the measurement and reduction of statistical response burden.

Analysis and Integration

- Conduct objective analyses of complex issues that involve statistical policy and require data from multiple sources.

- Coordinate the development of social and economic indicators.

User Services

- Maintain for users a central inquiry service for identifying and gaining access to appropriate federal data.
- Establish and monitor standards to ensure maximum accessibility and utility of federal statistics to all users.
- Conduct studies to improve understanding of user needs.
- Act as a focal point for receipt of, and response to, data requests from international organizations.

Statistical Standards

- Establish and monitor standards to ensure the quality, integrity, and comparability of statistics and analyses produced by agencies of the federal statistical system. Where feasible, encourage compatibility with international standards.
- Provide technical assistance in statistical methods as needed to agencies undertaking or sponsoring statistical activities.
- Promote the professional development of employees of the federal statistical system.
- Coordinate and, as needed, conduct evaluations of federal statistical agencies and their programs.

Fair Information Practices

- Carry out the functions assigned to the Director of the Office of Statistical Policy under the Confidentiality of Federal Statistical Records legislation (to be submitted to Congress) and other pertinent legislation, regulations, and guidelines.

Except as noted in the last item, these functions are currently authorized by Section 103 of the Budget and Accounting Procedures Act of 1950.

4. THE HISTORICAL EXPERIENCE IN STATISTICAL POLICY

The problems described earlier are pervasive, system-wide, and have developed over a period of more than three decades. They will not be solved through well-intentioned exhortation or by returning to earlier organizational forms. The modern capabilities of statistical policy have changed in scope and nature, are not widely understood, and have become extremely important to the most critical function of government—policy decision making.

Thirty years ago statistical policy was as essential to the quality of statistical data as it is today, but other things have changed. The varied sectors of the society and economy are much more interdependent and the federal government's role has become pervasive and of immense import. Policy decision making has become far more interactive and complex. The distinction between public and private has become blurred. As a result of this complexity, national policy decisions today are decisively dependent on quantitative measurement to identify and understand problems. Failure to provide accurate, coherent, and relevant quantitative description and analysis now results in unnecessary policy confusion and societal conflict. We are paying a growing price for our neglect of statistical policy.

Earlier institutional arrangements have grown increasingly vulnerable and are not working well. Historically, statistical policy was combined with control of paperwork burden on both public- and private-sector respondents and was located in a single unit. This unit was in OMB until 1977 and made many substantial contributions to the quality and value of federal statistics. However, the growing importance of statistical policy as a function of decision making has not been widely understood nor supported effectively. In addition, both statistical policy and paperwork functions have been overwhelmed by the more recent immense growth and changing nature of data collection and government decision making. Examination of this 30-year organizational experience suggests some institutional weaknesses and reasons for increasing vulnerability.

OMB's budgetary functions were too different and too dominant. Sound statistical policy requires long time horizons for highly technical coordination and planning, and a corresponding measure of freedom from short-run political and economic events, of whatever significance. OMB's primary function—presidential budget development and oversight—involves immediate, often crisis-driven, decisions of great political and economic significance, which dominate OMB's internal agenda and resource priorities. Statistical policy was not perceived as important in such an environment, was not understood, and slowly eroded in personnel and institutional strength.

Personnel numbers in the Statistical Policy Division of OMB declined by 60 percent in the 30 years between 1947 and 1977. This occurred despite the growing importance of statistics to the effectiveness of national policy decision making. Simultaneously, statistical policy functions were pushed downward within the OMB decision structure and consequently were removed further from the policy dialogue where national information needs are most frequently formulated. Another consequence of this trend was erosion in the authority needed to coordinate decentralized statistical programs effectively.

The resolution of the trade-offs between political or policy ends and the need to protect the integrity of statistics should not be solely an internal, perhaps lower-level, OMB decision. What is at hazard, if mistakes are made in either direction, is now too important. Resolution should occur in a context where the integrity of both the policy functions and the statistical functions are maintained by reasonably visible, broad accountability and clear lines of functional authority.

There are other reasons why the earlier institutional arrangements ultimately have not worked well.

Statistical policy now addresses many complex matters well beyond the scope of paperwork reduction. The changing nature and growing significance of statistical policy as well as the broadening scope and complexity of statistical applications over the last few decades have destroyed an earlier degree of complementarity between statistical policy and paperwork reduction. Data collected for statistical purposes once accounted for a significant part of the total paperwork burden. Today, if one includes all collections covered by the original Federal Reports Act plus all tax forms, statistics account for only three percent of the total paperwork burden. In addition, statistical data collections normally are better designed than collections for administrative purposes. Thus, the real paperwork problem and the greatest potential for future reduction of burden lies outside the statistical system.

The scope of important statistical policy applications has changed and grown more varied and complex. The traditional focus of statistical policy has been on the quality of the product produced in statistical programs and agencies and on development of the statistical potential and quality of administrative records. Most government data were once collected by federal agencies, but today a rapidly growing volume are "contracted out" to private firms. These contracted collections are of quite uneven quality and present a difficult new challenge to the application of statistical standards. The development of new statistical measurement and collection techniques has combined with new and different policy information needs to create rapidly growing areas of data collection based on direct measurement and direct observation. These areas fall outside the scope of the Federal Reports Act since no respondent-filed form is even involved, and hence reports act control associated with prior approval of forms to collect data does not even come into play. Thus, for example, the growing statistical uses of satellite sensor data, air and water pollution measurements, and many program experiments involve complex problems of statistical standards and coordination that have substantial impact on policy decisions.

As society's problems have grown more complex, statistics have become more important to effective decision making. Not only do policy makers face increasingly complex issues, but many problems now interact with one another. Policy decisions more frequently involve choices that cut across present department and policy decision structures and their data bases. Growing numbers of these crosscutting issues involve so many diverse participants that more and more executive branch decisions are being forced to the White House for resolution. Resolution of these broader policy questions often creates the need for new statistical data or requires complex new combinations of older data. These data requirements are difficult and sometimes impossible to meet under present statistical policy institutional arrangements. Yet they are essential if national policy decisions are to be based on a firm factual foundation.

Statistical policy is now a critical and fragile part of the larger policy process and is not just an input into paperwork reduction. Consequently, the functions of statistical policy and paperwork reduction do not fit together in the same organization as logically or easily as they once did.

The nature and significance of statistical policy have been transformed. Federal statistics have a far greater impact on society today. Statistics are now used in a higher proportion of economically and politically significant decisions in policy and the allocation of federal resources. In addition, with the growth of the federal government's role since World War II, the number of such decisions and their impact on society has sharply increased. As a consequence, national policy and resource allocation decisions are increasingly interactive with those of statistical policy. There is a greater need to anticipate national policy information needs through integrated planning of statistical products. The failure to coordinate the larger aspects of statistical policy with national policy making is increasingly disruptive of that policy decision process when data are missing, misinterpreted, inaccurate, or inappropriate for the decisions being made. This produces unnecessary policy conflict, which can and should be avoided.

Closer coordination of statistical policy with national policy information needs creates another institutional requirement. To remain effective, statistical standard setting, planning, and coordination must be neutral and objective in performance. Without its reputation for integrity, a statistic loses what value it has in resolving complex policy conflicts. Thus, closer coordination of statistical planning and the national policy decision process requires simultaneous strengthening of the institutional independence of statistical policy and the creation of visible accountability to protect integrity. Such accountability should be not only to the president, but to Congress, the federal statistical agencies and to the many nonfederal users who are dependent on the continued objectivity and political neutrality of statistical policy.

There is another related, rapidly growing, and potentially dangerous problem. The capacity of individual agencies to maintain statistical integrity has become questionable and the statistical system more vulnerable with every new use of statistics to index expenditures for inflation and in formulas to allocate federal funds to various beneficiaries. A very substantial part of our most important statistics is already held hostage to political ends because of their visible and direct use in politically important decisions that allocate federal resources. When the consequences that flow from those numbers are politically undesirable, the temptation to manipulate is often difficult to resist.

Program results that are highly desirable from the viewpoint of beneficiaries are sometimes created by biases that creep into statistics over long periods of time. This happens when statistical collection techniques and the concepts being measured fall behind a changing reality and no longer match that part of the real world being tracked by the numbers. Statistical revisions that are necessary to regain accuracy are then delayed or prevented by political resistance. This kind of mismatch is also often the direct consequence of the inappropriate use by policy makers of data designed for an entirely different purpose. This occurs most frequently when the statistical system has failed to anticipate major policy information needs and appropriate data are not available, as well as when policy makers act without understanding available alternatives. The data and analysis failures that follow lead all too often to situations that create temptations to adjust the data to the political goal. It is no solution, (it is not even responsible) to suggest that policy makers should not use statistics to allocate resources. The job of matching policy information needs and statistical capability must be made far more conscious and thoughtful.

The assurance of relevant, objective, and accurate statistics presents a growing and difficult problem with frightening implications for our ability to govern. Loss of either relevance or integrity destroys the value of statistics for decision making. Stronger, more visible, and more formal oversight from multiple sources is needed today, along with standards and procedural rules to protect the integrity of statistical products and processes. More systematic capacity to anticipate policy information needs is necessary. This cannot be accomplished without a stronger, more visibly independent central coordinating unit that is well coordinated with the policy decision process and simultaneously made more directly accountable well beyond the executive branch to all major users of federal statistics. This cannot be accomplished within the older institutional arrangements.

5. ELEMENTS OF AN EFFECTIVE OFFICE OF STATISTICAL POLICY

The following elements are essential for an Office of Statistical Policy to be able to resolve the statistical policy problems affecting national policy decision making:

- Adequate authority should be vested in the office.
- Institutional arrangements should exist to ensure on a continuing basis that the output of the system will be policy relevant.
- The integrity of the statistical data base, coordinated by the office, should be visibly preserved and strengthened.
- The authority of the office should be embedded within a set of functions that collectively ensure the knowledge and understanding by the office of both user needs and statistical system data problems.
- The organization should have durability.

The implication of each of these requirements is addressed below.

Authority of the Office of Statistical Policy

1. Strong coordination of budget development for statistical programs is necessary to ensure that national, as opposed to separate departmental and agency, statistical priorities are identified and prevail within a decentralized statistical system. Historically, United States statistics have generally developed from the bottom, a program at a time, to support the mission of an agency. The initial design rarely anticipates multiple uses and the department or agency normally resists spending its budget to serve the needs of users external to that mission. The growing incidence of complex, crosscutting issues assures the development of multiple use despite the department's attitude. Many external decision uses come to have high, even dominant value. As a result, the uses of the output of most statistical agencies have, over time, extended well beyond the missions of their departments. Yet there are only weak or nonexistent mechanisms to ensure that the priority data needs of this larger constituency are given adequate weight by the policy departments in which most statistical agencies are located. This is a reality that requires stronger central policy coordination if the statistics used for multiple purposes are to have acceptable levels of relevance and accuracy, indeed if they are to exist at all in some cases.

Strong statistical policy coordination will provide a system through which agencies plan more effectively, clearly establish priorities among proposals, and fully address all levels of data needs for decisions on policy and crosscutting issues in the formulation of the federal budget. The nature of this relationship and the role of the office in OMB's budget decision process were discussed with OMB by the Statistical Reorganization Project staff and an operational design developed. The Statistical Policy Coordination Committee and the Office of Federal Statistical Policy and Standards (OFSPS) have already been working on procedures recommended by the project staff. The new arrangement will balance three essential elements of the budget process as it affects statistics; it will (1) strengthen central coordination of statistical budget plans, (2) recognize the authority of OMB in resource decisions, and (3) preserve the decentralized role of program agencies in meeting their own statistical needs. For a more detailed description of the office's role, see Appendix B.

2. Within the clearance policies and paperwork budget goals set by OMB, the Office of Statistical Policy should administer the Federal Reports Act and paperwork burden budget authority for general-purpose statistics. The Federal Reports Act of 1942 authorizes the president to review all reporting plans and forms to be used in data collection by the federal government and either to permit or to prohibit that collection. Coherent national priorities in the coordina

tion of government data collection can only be established and maintained if this authority, which has been progressively fragmented by statute since 1973, is brought back under central control. Currently proposed legislation (H.R. 6410) would achieve the objective in OMB. Executive Order No. 12174 of November 30, 1979 sets forth the president's paperwork control program. Under this executive order and the proposed legislation OMB, while retaining responsibility for policy and oversight, may delegate operational responsibility to those agencies that demonstrate the capacity to implement paperwork policy and objectives. Thus, within the clearance policies and paperwork budget goals set by OMB, the statistical reorganization project recommended that the Office of Statistical Policy administer the Federal Reports Act and burden budget authority for general-purpose statistics. The regulations implementing Executive Order No. 12174 authorize the statistical policy unit (OFSPS currently) to conduct technical reviews of all data collection plans, including those that are not for statistical purposes. Any collection program whose technical design is found to be unsound will not receive OMB approval. The authority would not only insert the office into the statistical agency planning process, but would be instrumental in reducing statistical paperwork burden and improving the quality of statistical collections.

3. Data collected for nonstatistical purposes have great statistical utility and even greater unrealized potential. This potential can often be substantially enhanced by minor changes in the forms used in the collection. Furthermore, the collection techniques involved are frequently unsound and often waste resources and impose greater than necessary paperwork burden. The statistical reorganization project recommended that agencies be required to prepare a prospective data collection plan; a technical review of such plans would be conducted by the Office of Statistical Policy as a part of a preclearance review. As already indicated, those collections found to have unsound design will not receive OMB approval. Agencies without sufficient expertise to design adequate collection plans will be assisted by the office in developing or arranging for that expertise.

4. A common statutory basis for the confidentiality of statistics must be established. Only the Census Bureau and the National Center for Health Statistics now have a statutory basis for the promise of confidentiality traditionally given respondents in statistical data collections. This ancient common law protection is increasingly threatened, especially by litigation. The only solution is a statute to protect statistical confidentiality. Individual agencies are now introducing their own legislation. If a government-wide statute is not enacted soon, the federal statistical system will be further balkanized.

The statistical reorganization project has drafted legislation that would provide uniform confidentiality safeguards throughout the statistical system, reduce duplicative collections, and make more effective use, within the federal statistical system, of data collected by individual agencies. It strengthens the confidentiality of statistical records and permits a limited exchange, for statistical purposes only, of confidential statistical records between statistical agencies. Exchanges of records are subject to the approval of a "Chief Statistician," who should be the Director of the Office of Statistical Policy. The authority to administer this legislation must be insulated from partisan political influences and be visibly and broadly accountable at the highest possible level. It should not be lodged at a low level in the executive branch or combined with nonstatistical functions.

5. The Director of the Office of Statistical Policy should be an executive level III presidential appointee confirmed by the Senate. This provides the authority appropriate to the role of the director when representing the federal statistical system and as chair of the Council on Statistical Policy described below.

6. Adequate resources are necessary to sustain effective institutional authority. Measured against even minimal expectations of performance, the resources devoted to statistical policy and coordination over the last decade have been inadequate. To staff all functions adequately would require many times current personnel levels. This obviously cannot be achieved under present budget and economic conditions, but a modest start should be made. As the office performs and as need requires, this resource base must be expanded if statistical policy is expected to perform its necessary functions.

Ensuring the Policy Relevance of the Statistical System

The relevance of statistics to policy issues and decisions is dependent on a number of attributes, including quality, timeliness, and consistency between different data sources. In addition, statistics will not be relevant to policy concerns unless appropriate analyses are performed and there has been effective communication between policy makers and statistical planners in the development and use of the statistics. A large proportion of the substantive functions recommended to be vested in the office are designed to address all of these issues.

To ensure effective policy input into the statistical planning process and a reverse flow of information on the potentially effective uses of existing statistical capacity and to provide advice to the White House and executive office on statistical policy, the office should be located in the Executive Office of the President (EOP). In addition, the director of the office should chair a new Council on Statistical Policy, also located in the executive office. Agencies represented would include the Council of Economic Advisers, OMB, and other EOP organizations and executive branch agencies as deemed appropriate by the president. The Federal Reserve Board would be invited to be a member. The council would review the annual statistical planning guidelines to be issued by the Office of Statistical Policy and provide advice on statistical programs and priorities.

Integrity of the Office of Statistical Policy

Executive branch policy makers, legislators, and the general public must have a high level of trust in government statistics as forming the factual bases for public policy. For this reason, the organization must be impartial in its work and perceived by the public to be neutral on political policy debates about national goals and issues. That neutrality should be protected by broad accountability. Thus, the office should be sensitive to presidential direction as to program priorities, responsive to congressional oversight, and accountable to the general public and to other users of federal statistics. It should be sufficiently independent to overcome any threats to the integrity of federal statistics, including possible efforts to politicize the manner in which statistical inquiries are formulated and data are gathered, analyzed, published, or otherwise disseminated.

These ends will be most nearly achieved under the following conditions:

1. The director of the office should be appointed by the president, subject to confirmation by the Senate, from among individuals of the highest integrity, as well as outstanding professional and managerial experience and competence;
2. Senior positions within the office should be classified as career-reserved;
3. The administrative functions, including appointment of senior personnel within the office, should be made the explicit responsibility of the director; and
4. Since the federal statistical agencies provide most national statistics, and at the same time are dependent on the public for accurate responses, due consideration should be given to the needs of outside users and to the maintenance of the reputation for integrity of federal statistics. Thus, an external advisory committee on statistical priorities should be created. Members of this committee should be selected without regard to their political affiliations. Some provision also needs to be made for external, independent technical evaluation, analysis, and advice.

Relating Authority to Expertise and Knowledge

Authority without knowledge and expertise can be disruptive. Thus, the substantive functions of the office, described earlier in Section 5, serve a dual purpose: every one of them is designed to deal with specific problems of users of the statistical system, but at the same time each would involve the office in sufficient substantive activities to render its oversight effective.

Durability of Organization

The Office of Statistical Policy should not be vulnerable to short-run fluctuations in mission, staffing levels, or location, and it should not be outmoded by tomorrow's crisis or by structural or functional reorganizations of other elements of government. Therefore, the office's mission and functions should be established in legislative form (as in a reorganization plan, not an executive order) and be subject to direct congressional oversight and appropriations authority.

6. RELATIONSHIP TO CURRENT PAPERWORK LEGISLATION

Congress is considering paperwork legislation (H.R. 6410) that does many useful things. One feature of the bill that the administration strongly opposes is the return of statistical policy functions to OMB, there to be combined with paperwork reduction, ADP policies and procurement planning, and telecommunications, privacy, and records management. Combining statistical policy with this heterogeneous set of activities would be a mistake of major order. Whatever the outcome of H.R. 6410, the administration will work with the Congress to implement the president's decision to create a more effective set of statistical policy institutions, as described in Section 3.

Managing information activities more efficiently is an admirable goal, but putting all information functions in one organization in OMB does not solve the many problems involved. Statistical policy has grown to be more than just another information management activity. It has become an intimate part of the national policy process. Statistical policy now involves matters of a very different order of magnitude than most information management activities.

Putting all information-related functions in one organization may force conflict resolution, but in doing so it greatly increases the chance that such resolution will be at the expense of the integrity of the function with the least immediate political clout—which includes most of the longer-term policy planning and oversight activities. In such a mixed environment of multiple purposes, one is also unlikely to attract and hold the necessary cadre of top quality statistical professionals. Statistical policy would again be slowly squeezed out by competing functions that command more immediate attention due to their greater short-run economic impacts (e.g., ADP budgets) and political significance (e.g., paperwork). The consequent losses would fall more directly on the legislative and executive decision makers than on the statistical system itself. The mere production of statistics will thrive even if there are failures to harness its output more effectively for guiding policy.

7. CONCLUSION

In the very public and open process used to consider various means for improving the design of statistical policy institutions, the independent or separate agency option has been repeatedly recommended as the most effective design by a wide range of different groups and individuals. Most of these have not been self-serving requests for separate treatment but recommendations for strengthening the capacity of statistical outputs to illuminate societal problems before decisions are made or laws enacted.

The earliest evaluation of location options came from the more than 200 responses to the project's "Issues and Options" paper, which were received from statistical and policy agencies and individuals in the government and from individuals and organizations in business, labor, universities, the professional organizations, and foundations. The independent agency option was recommended to the project by well over three-quarters of those who evaluated the location options. The separate agency option was strongly recommended by the eight-person Advisory Committee to the Federal Statistical System Reorganization Project, a committee of distinguished and knowledgeable nongovernmental users of federal statistics. The Statistical Policy Coordination Committee, composed of representatives from all departments and several independent agencies, also expressed equally strong support for the separate agency while expressing reservations about or opposing the other options.

In addition to the separate agency option, several other alternatives were seriously considered. These included returning statistical policy to OMB, strengthening the arrangements in the Commerce Department, and establishing the Office of Statistical Policy as a unit in the General Services Administration, or alternatively in the Administrative Conference of the United States. These were all viewed as seriously flawed. The limitations of the OMB location have been discussed.

Strengthening present arrangements in the Commerce Department is flawed by several difficulties. There are many inherent conflicts when one department attempts to coordinate the statistical programs of other departments and agencies. In addition, a government-wide statistical policy mission, while transcending the Commerce Department's mission, would in many diverse ways be subject to the policies of the Commerce Department. This problem would periodically undermine statistical policy processes and limit the authority and credibility of the coordinating unit. This is inherent and would be the case in any department.

The option of establishing the Office of Statistical Policy in the General Services Administration (GSA) is flawed by isolation from the executive office environment where national policy information needs can best be perceived and by the vast difference in the functions of GSA and the Office of Statistical Policy. It was doubted that statistical policy would be understood or well supported in a housekeeping agency. The Administrative Conference of the United States, a small independent agency, was also perceived as having the same flaws as well as raising serious questions about the ability to protect the integrity of statistical policy if, as in some proposed versions, it was responsible for certain regulatory-policy oversight activities.

The Office of Management and Budget recommended to the president and his advisors the creation of a separate Office of Statistical Policy located in the executive office. Despite the obvious disadvantage of adding personnel and a new agency to the Executive Office of the President, it is the superior option because it allows this function of the modern policy process to operate far more effectively than does any other option. Other presidential advisors came to the same conclusion. This is the option the president chose.

Today we know very well what statistical policy involves, how to make its activities operational, and how to judge its performance. We have more than 40 years' experience in statistical policy, a function that has as its knowledge base a mature, scientific discipline, statistics. With appropriate authority, institutions, and resources, we can do it now and do it well.

We should not mix fragilely balanced institutions with inchoate activities. Many other information functions involve a mixture of activities that are only now being developed, knowledge areas that are not yet a mature basis for action, and skills that are vastly different from statistics. Quite different goals and areas of application are embraced. Many of these functions are in a developmental stage. Some information activities have greater political or economic impact in the short run and hold a potential for distorting and destroying longer-run coordination and planning activities such as statistical policy. Statistical policy today has too great and pervasive an impact on our capacity to illuminate societal problems and to act on critical choices to allow that to happen.

We have within reach a quantum improvement in the institutions of statistical policy. We should grasp that opportunity now.

APPENDIX A: FUNCTIONS OF THE OFFICE OF STATISTICAL POLICY

This Appendix provides a more detailed description of the functions of the Office of Statistical Policy (OSP) outlined in Section 3. Based on preliminary considerations of a suitable organizational structure for the OSP, individual functions might be grouped by functional areas under five associate directors and one special assistant to the director. There are, of course, other ways of organizing the same functions.

Associate Director for Program Planning

1. Direct, pursuant to the president's authority under Section 103 of the Budget and Accounting Procedures Act of 1950, in consultation with departments and agencies, the planning of proposals for

statistical programs prior to the fiscal year for which funds would be requested, issue guidelines for the preparations of such plans, and make recommendations with respect to such plans to the OMB.

2. Undertake intermediate and long-range planning to ensure the responsiveness of the federal statistical system to changes in technology, social values, and social and economic structures. Encourage and coordinate intermediate and long-range planning by federal statistical agencies including the appropriate relative allocation of effort and resources (1) among data collection, data compilation, and data analysis, and (2) among different modes of data collection.

3. Reduce paperwork burden by promoting the effective use of administrative and regulatory records for statistical purposes. Develop plans for and assign responsibility for the creation and maintenance of general and multipurpose sample data systems based on administrative records. Take appropriate steps to improve access to administrative and regulatory reports for statistical purposes. Recommend modification of report forms to enhance their value for statistical purposes. Review all proposed federal-state-local cooperative statistical activities.

4. Provide a legislative review and reference service for the federal statistical system. Monitor and review all proposed legislation, regulations and guidelines that affect federal statistical activities. Insure that statistical agencies are informed of proposals that affect them, and coordinate agency responses and comments. As necessary, develop and submit to OMB proposed legislation on matters of general concern to the federal statistical system.

5. Act as executive secretariat for the president's Council on Statistical Policy.

Associate Director for Review and Burden Control

6. Administer the president's authority under the Federal Reports Act for the clearance functions of the Act as they apply to data collections for statistical purposes, including all censuses and statistical surveys and data collections conducted in support of program evaluation activities and program experiments, or to produce statistical information for program managers; perform a technical review of any data collection plans (including nonstatistical) subject to the Federal Reports Act that the director of the OSP may select for such review; perform a technical review of any plans for data retrieval by direct measurement or observation that the director of the OSP may select for such review; and make recommendations or provide waivers regarding such plans as deemed appropriate. Undertake methodological research to develop improved procedures for quantitative measurement of response burden and innovative methods of controlling and reducing burden. Arrange for technical assistance where statistical techniques can contribute to the reduction of response burden resulting from nonstatistical data collection activities.

Associate Director for Analysis and Integration

7. Establish and maintain applied analytical capacity in the Office of Statistical Policy to do objective analyses of system-wide crosscutting and structural issues to coordinate the development and improvement of economic, social, and other models, and to identify problems of quality, redundance, gaps, and inconsistencies and other weaknesses of data sources. Encourage the establishment of analytical units in the departments to provide more effective linkage between policy makers and the producers of statistics for the purpose of improving communication on information needs and data services.

8. Coordinate the development of economic and social indicators.

Associate Director for User Services

9. Establish a central inquiry service for users with a limited knowledge of federal data sources. Establish and monitor guidelines and standards for the dissemination of data by federal statistical agencies through publication, release of public use files, and other means, with special attention to matters such as format and documentation of files, advance announcement and scheduling of releases, and pricing policies. Establish and monitor the operation of a federal statistical data bank of aggregates. In cooperation with the Secretary of State, arrange for and review responses to requests for statistical information from intergovernmental organizations.

10. In order to develop a better understanding of the kinds and quality of data needed by users, undertake user studies and encourage studies by statistical agencies, including both user surveys and in-depth case studies, of how federal statistics are used in specific areas of public policy. Conduct seminars and training courses, either centrally or through statistical agencies, to help potential users make more effective use of the products of the federal statistical system.

Associate Director for Statistical Standards

11. In cooperation with the Office of Personnel Management, promote the professional development of personnel in statistical agencies and units through appropriate uses of training, classification standards, and incentives. Using existing registers of statistical agency personnel, if available, or a special register established for the purpose, encourage temporary assignments for training purposes and mobility between different data-producing agencies, analytical units, and the Office of Statistical Policy. Advise on appointments to senior positions in statistical agencies.

12. Keep a register of all audits, evaluations, and reviews of statistical agencies and units, of their programs and activities, and of the statistical programs and activities of program agencies; recommend scheduling for such audits, evaluations, and reviews;

and have the authority and capability for performing audits, evaluations, and reviews on a selected basis.

13. Develop and monitor the observance of standards to ensure the use, when deemed appropriate, of uniform definitions and classifications for statistical purposes and to ensure that data collection and processing, analyses, and dissemination are carried out according to high professional and technical standards. Assist in the development of standard definitions and classifications that are compatible, so far as possible, with those established by intergovernmental organizations.

14. Provide or arrange for technical assistance to agencies undertaking or sponsoring statistical activities but lacking the necessary technical staff; special emphasis should be placed on assisting in the development of RFP's that procure statistical services for these agencies. Provide or arrange for technical assistance to nonstatistical data collection activities where the application of statistical techniques can reduce response burden. Maintain an information service covering data collection, processing, and analysis procedures of interest to federal statistical agencies. Organize and coordinate interagency groups to study methodological issues that are of particular importance to the performance of the federal statistical system.

Special Assistant for Fair Information Practices

15. Coordinate and monitor the policies and practices of departments and agencies with respect to the collection, maintenance, use, protection, and disclosure of individually identifiable information for statistical and research purposes in accordance with applicable statutes. To the extent consistent with law, the Director of the Office of Statistical Policy is authorized to approve, require, or prohibit the transfer of information to be used solely for statistical and research purposes, and may issue such regulations as deemed appropriate to accomplish this function.

APPENDIX B: THE ROLE OF STATISTICAL COORDINATION IN THE DEVELOPMENT OF THE FEDERAL BUDGET

A key element of the redesigned central statistical coordination function is the role and authority of the Office of Statistical Policy (OSP) with respect to the development of statistical program budgets and priorities. The specification of this role must meet three objectives: (1) provide Congress, the president, and his advisors with more coherent and relevant information by developing and implementing national-level priorities; (2) use existing coordinating mechanisms that have worked well in the past but have not been sufficiently systematic; and (3) facilitate, rather than disrupt, the existing mechanisms through which the Office of Management and Budget (OMB) develops the budget of the United States.

The existing statistical coordinating office (Office of Federal Statistical Policy and Standards, U.S. Department of Commerce) now has, and the Office of Statistical Policy would continue to exercise, the president's authority under Section 103 of the Budget and Accounting Procedures Act of 1950 to coordinate the planning and development of statistical programs. The OSP will also direct a multiyear planning process through which emerging data needs and related policy concerns are given more effective attention as a part of budget formation.

Multiyear Statistical Planning

The design of this planning process has several major features. As a part of departmental budget formation, each year the OSP would formulate statistical planning guidelines. Before going to the agencies these planning guidelines will be reviewed/revised and approved by the Council on Statistical Policy in the Executive Office of the President (EOP), composed of policy representatives of the departments plus OMB, the Council of Economic Advisors (CEA), and other executive branch and EOP organization representatives as designated by the president. Subsequently, statistical and program agencies will present to the OSP data collection plans and estimates of resource requirements for a multiyear period. Through ongoing consultations, OSP will provide guidance on the plans with respect to national information needs and priorities.

Agencies will consider this guidance as they formulate their budget proposals for statistics before submitting them to departments. Following the presentation of departmental budgets to OMB, the OSP will review these more formal submissions and provide further guidance as appropriate. The OSP will then formulate its own recommendations and discuss these with OMB budget examiners. In this phase, the OSP will assist OMB in an advisory capacity.

OSP Participation in the OMB Budget Process

As the OMB budget development process advanced, the OSP would participate in OMB budget hearings and develop analyses of statistical programs for OMB/OSP review. The OSP will prepare for a crosscut review of federal statistical program proposals in which OMB and the OSP jointly review selected statistical program or policy issues with significant budgetary implications. In the crosscut review, the OSP will present final advice from the Council on Statistical Policy. As chair of this EOP council, the Director of OSP will ensure that the council's advice constitutes department-level policy input as well as advice from representatives from other EOP units. The work of the council will be staffed by the OSP. The council will use interagency subcommittees as needed, and relate directly to or continue to use such existing units as the Economic Statistics Committee chaired by CEA.

Throughout this process, the traditional roles and authorities of OMB are unmodified; if the design is carried out systematically, the role of the OSP should facilitate the work of OMB and department budget examiners as well as provide an institutional framework to assist the OMB director in resolving any major statistical budget/policy issues.

Most of the basic elements of this process have been performed in the past, some, however, on an ad hoc basis and without an adequate institutional focus for statistical planning or staffing. Formalizing this process will result in a regular calendar of statistical program budget reviews, effective advance planning and consultation among the components of the federal statistical system, and a comprehensive review of statistical program proposals in terms of their consistency with the information and policy needs of the administration, the Congress, and data users generally.

Conclusion

Success in developing this comprehensive review depends critically on the OSP role with respect to the Council on Statistical Policy, which is designed to ensure the broadest possible perspective on the relevance and utility of federal statistics. Various other functions of the OSP will play a supportive role in this process, including the review and approval of statistical report forms and the provision of technical assistance to the smaller statistical units throughout the government.

It is equally important that the OSP staff and the OMB budget staff maintain an ongoing working relationship; this is most likely to be successful if OSP personnel, who are also serving as staff to the Council on Statistical Policy, are located in close physical proximity to OMB budget staff and if there are clear guidelines governing the relationship between OMB and the OSP.

For a tentative outline of the steps in the statistical planning and budgeting process, see the schedule of events that follows.

Statistical Planning and Budget Process

I. Multiyear Statistical Planning

October–December: 15–12 Months before OMB Director's Final Budget Decision:

1. November—EOP Council on Statistical Policy (CSP) reviews, modifies, and approves the Office of Statistical Policy (OSP) planning guidelines, which then go to the agencies and OMB.

January–June: 11–6 Months before OMB Director's Final Budget Decision:

2. January–March—Agencies develop their multiyear statistical plans and transmit them to OSP.
3. March–April—OSP reviews agency statistical plans and discusses them with OMB examiners.
4. April–May—OSP conducts spring planning discussions with agencies and provides comments on their statistical plans. OMB examiners invited to participate.

II. OMB Budget Process With OSP Participation

April–June: 8–6 Months before OMB Director's Final Budget Decision:

5. April–May—OSP participation in OMB Spring Review.
6. June—OMB budget guidelines to agencies.

July–December: 5–0 Months before OMB Director's Final Budget Decision:

7. July–September—Agencies develop their budget proposals.
8. September 15—Agency budgets due in OMB including the statistical program Exhibit 54.
9. September—OMB sends statistical agency/unit budgets and Exhibits 54's to OSP.
10. Mid-September–October—OSP participates in appropriate OMB budget hearings.
11. Mid-September–October—OSP consults with departments, statistical agencies/units and OMB budget examiners in preparing an analysis of statistical program budgets.
12. Mid-October—The above analysis is reviewed by EOP Council on Statistical Policy (CSP) in developing its recommendations on statistical priorities. These recommendations are sent to OMB and are used by OSP in developing issues for OMB Director's review.
13. Mid-October–late November—OMB Director's review of all agency budgets including statistical program issues. As needed, OSP prepares multiagency statistical crosscut with major policy issues for OMB Director's review.
14. Mid-November—As needed, OMB Director's crosscut review of statistical issues and final decision by OMB Director on statistical components of President's budget. CSP recommendations developed in step 12 and OMB mark sent to agency.
15. Late November through December—Agency appeals to OMB and to president.

[Received and revised June 1981.]

Comment

MARGARET E. MARTIN[*]

I am in hearty agreement with the recommendations contained in "Improving the Federal Statistical System: Report of the President's Reorganization Project for the Federal Statistical System." The report contains a needed and thoughtful analysis of the functions and importance of a central coordinating staff, while maintaining the advantages of a decentralized statistical system. Its analysis of the difficulties of this role in the face of the complex policy issues facing modern government is illuminating. Its recommendations for strengthening and improving the coordination function are overdue. Professor Bonnen and his colleagues are to be congratulated.

In light of my agreement, a section by section commentary would be redundant. Instead, I prefer to try my hand once again at explaining why coordination is considered such a self-evident goal to statisticians working within the government, and so puzzling to those outside. You may take my remarks with the grain of salt appropriate to the circumstance that I spent nearly 30 years on the inside, as a member of the federal government's statistical policy coordinating agency.

To coordinate in this sense means to cooperate in one or more aspects of statistical planning, design, collection, classification, or analysis. It may mean using common definitions, standard classifications, central mailing lists or sampling frames, a single survey instrument instead of two or more, or additional analysis of a data set to serve a multiplicity of uses.

COSTS OF COORDINATION

One might conclude that coordination is self-evidently a good thing and would be the responsibility of any conscientious agency. Coordination has associated costs, however. It is likely to take time and resources. It may involve compromises on question-wording, on classifications, on timing or frequency of collection, or the provision of additional, costly detail. It is difficult to explain to decision makers who are awaiting answers to their own problems and not to problems of concern to other departments that the needs of others are holding up the initiation of a survey, requiring an expensive reclassification of data, or imposing additional demands for accuracy and completeness. In addition to the efforts of individual statistical bureaus, a coordinating agency with a government-wide standing and viewpoint is needed. It is essential that such a function be carried out from the Executive Office of the President, not from within a single department. An arbitrator or umpire cannot come from the ranks of one of the teams.

Much coordination can be accomplished within single departments, of course, and the importance of coordination should be recognized at all levels of statistical planning and operation. But it is seldom that a single statistical bureau can deal adequately with even a single segment of statistical activity. Take for example the question of education. At first glance, it might appear obvious that the National Center for Education Statistics (NCES) should be responsible for all statistics from colleges and universities. A single university, for example, reports data on enrollments, degrees, faculty, and so forth to the NCES. But, if it is publicly owned, that same university should be included in the reports of the Division of Governments in the Bureau of the Census. And then there is the Bureau of Labor Statistics' monthly series on employment, hours, and earnings, collected in cooperation with state agencies, that provides estimates not only for the nation and each state but also for many metropolitan areas. Should not employment at the university be included in the estimates for its metropolitan area and state? And so it goes.

A CONTINUING PROCESS

Since coordination involves not only statistical methodology, but also judgments about uses and relative needs, the task is one of determining needs, evaluating prospective uses, and then reconciling them, as well as encouraging the application of good statistical methodology. Coordination frequently is a continuing process. A glance at the history of the Current Population Survey illustrates this never-ending process with a widely differing set of issues that have emerged, starting with the initial one raised in 1939—should this new, unproven method for collecting data be published with estimates so at variance with existing series? Through the years other questions arose: whether the reference week should be changed to match other government employment reports; whether research should be planned to explain differences among competing, apparently similar series (there was, for example, a very tough period following World War II when the numbers of persons getting unemployment insurance, swollen by returning military with extended benefits, almost exceeded the supposedly much larger group that should be reported by the CPS.) Arthur Burns, as chairman of the Council of Economic Advisors, and later as chairman of the Federal Reserve

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Board, frequently expressed a strong view that the employment estimates from the CPS household survey and the employer establishment-based reports of payroll employment should be merged in some way so that the public would not be confused by two different monthly estimates of ostensibly the same thing. Although Mr. Burns never succeeded in getting a merged estimate routinely published, he was effective in getting the two series announced to the public in a single, coordinated press release. Most recently, the Labor Department is facing the question of when and how to adopt recommendations of the Commission on Employment and Unemployment Statistics; adopting the recommendations will be better accomplished if the views of other federal agencies, representing different constituencies of users, are well-coordinated in the planning process.

BURDEN REDUCTION

The preceding examples of coordination activities have all involved data needs. Some coordination is undertaken for a different purpose, to reduce the paperwork burden on respondents, and the Bonnen report recognizes this. It is hard for those who have not been intimately connected with large-scale government surveys that are national in scope, particularly with surveys going to organizations—businesses, state and local governments, schools, and so on—to realize how frequently a single organization may be an unwilling recipient of a request for information. Large organizations that routinely fall in the 100 percent strata of samples are particularly vulnerable. If you are a General Motors, a General Electric, or an EXXON, you are bound to be caught in almost all economic surveys, no matter how small the sample.

One function of coordination in such circumstances is to attempt to reduce the burden so that the needs of more than one agency can be served from a single statistical survey. Another device is to use as far as possible administrative records that would be collected in any event to serve additional, statistical uses. Thus, for example, the establishment employment series jointly conducted by the Bureau of Labor Statistics and state agencies is a sample of establishments that would have to be much larger were it not revised (benchmarked, in governmentese) periodically on the basis of tax reports to state unemployment insurance agencies. Estimates of the gross national product and other national accounts are revised periodically from the same source, as well as from tabulations of federal business-tax returns. The Census of Manufactures has been conducted more effectively, and at lower cost, since tax returns to the Internal Revenue Service have been used as a mailing source, and the reporting burden has been reduced for very small firms by simply replacing Census of Manufactures forms by summaries of a few key items from the business tax return. Much more could be accomplished in burden reduction through coordination if there were a commonly used, single source list of business establishments available for statistical purposes from which samples could be selected, classifications controlled, and the burden of reporting rotated more equitably among firms. The idea for such a list is not new; it has been recommended over and over again by both internal and external review groups. Such a list, called the SSEL (Standard Statistical Establishment List), has been developed by the Bureau of the Census but is not yet available for use by other agencies because of statutory confidentiality provisions. The single action most likely to reduce burden would be to pass legislation developed by the Bonnen group to permit broader use of the SSEL for statistical purposes. It is to be hoped that such legislation will shortly be submitted to Congress.

ECONOMIES THROUGH COORDINATION

It is not customary to think of government statistics as an economical operation. There is too much talk of a billion-dollar census or the burden of government paperwork. Government statistical bureaus seldom point out how penny-pinching they are, except to their budget authorities. Nevertheless, if one thinks of what it would cost to run each major government survey in isolation, rather than using other sources, particularly administrative records and censuses, as a base for estimation, as a sampling frame, as a benchmark, or as a current estimator, one realizes that the cost would be appallingly greater, not just ten percent greater, but many times greater. In other words, coordination is inherent in the way in which the system has been constructed so far. The amount that now exists may be unrecognized, but continuing efforts are needed to maintain and improve the existing situation. For example, past coordination efforts have led to the incorporation of administrative statistics collected by regulatory agencies into general-purpose statistics such as the national accounts. If regulation ceases and the administrative forms are discontinued, arrangements must be made to fill essential gaps through other means.

When two agencies wish to collect similar, but not identically defined or classified information on the same subject, it is sometimes possible to satisfy the needs of each by using a building block approach. The classifications or the definitions are specified in sufficient detail so that each of the two groups, by adding up the components in a different way, can meet its own needs. For example, a common instance is the issue of teenage groupings. In the population census it is relatively easy to show individual years of age in simple one- or two-variable tabulations. For detailed cross-tabulations, some users are satisfied with the group of 15–19 year-olds, others want a break at age

16, 17, or 18. In sample surveys, satisfying each of these differing needs could be very expensive in terms of increasing the necessary sample size. This relatively simple example shows why coordination can be much more difficult when funds are tight rather than loose. It was my experience over the years that statistical agencies were much more cooperative when budgets for statistical programs were increasing rather than decreasing. When resources are strained, building block and similar approaches that satisfy multiple users may not be feasible, and coordination will require tougher decisions on priorities.

Perhaps enough has been said to illuminate what is meant by coordination. It is to be hoped that the government's top coordination unit, now returned to the Office of Management and Budget, will be given sufficient authority and resources to accomplish the tasks so well delineated in the Bonnen report.

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Comment

CONRAD TAEUBER*

Authority, relevance, integrity, and durability are essentials for an effective Office of Statistical Policy as recommended by the President's Reorganization Project for the Federal Statistical System. Leaving aside the question of whether the present structure of federal statistics can properly be designated as a system, the report recommends no fundamental change in the present decentralized approach to the provision of statistics by the federal government. It concludes that if the system is to provide the needed data without placing undue burdens on the public, some major changes are needed in the functioning of the agency charged with the coordination of the collection and dissemination of statistical data and analysis.

HISTORIC PERSPECTIVE

Concern over the coordination of the federal statistical activities is nothing new. Nearly 50 years ago a private organization, The Social Science Research Council, stimulated the establishment of the Committee on Government Statistics and Information Services. It (COGSIS) surveyed the situation during the 1930's when the federal statistical services had been incapable of providing data needed for an unprecedented series of events. The Federal Reports Act of 1942 was enacted by the Congress to deal with some of the issues that had come to public attention at that time. The early implementation of the provisions of that act promised to lead to major improvements.

Looking back, it is clear that there are a number of important developments that can properly be attributed to the manner in which the coordinating office carried out its mandates. But over the years its ability to perform the needed work was eroded by reductions in the number of competent staff members and by legislative action. Neither the Congress nor the administration gave adequate recognition to the important role that statistical coordination could play. The dilution of the authority over data collection activities of federal agencies and the transfer of the coordinating office from the Office of Management and Budget to the Department of Commerce are only the most recent indicators of the reduced importance that was being assigned to the statistical policy function, which until recently was the responsibility of the Office of Federal Statistical Policy and Standards (OFSPS).

The statistical policy function returned to the Office of Management and Budget in 1981, in accordance with the provisions of the Paperwork Reduction Act of 1980. This act provides that the Director of OMB shall develop long-range plans for the improved performance of federal statistical activities and programs. The director also is to exercise a role in the budget process; develop principles, policies, and guidelines; evaluate statistical program performances and agency compliance with Government-wide policies and standards; and perform other related duties. The staff doing this work is to become part of an office concerned with the overall issue of information policy. The statistical reorganization project recommendations, as approved by President Carter, called for an independent Office of Statistical Policy within the Executive Office of the President. Underlying that recommendation was the conviction that such a position within the executive branch is necessary if the office is to be able to carry out the functions that have been assigned to it. The

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growing use of statistical data as "triggers" for a variety of actions and the increased reliance on statistical data for the distribution of funds and of governmental powers and duties, increase the need for a strong statistical coordinating office. With the prospect of reduced funding and the increasing demand for data, strong leadership by the statistical coordinating office becomes all the more important.

Statisticians and members of other professions have a stake in the functioning of the federal statistical system. In recognition of that fact, late in the 1970's, as had also happened in the 1930's, representatives of a number of professional associations expressed concern over some developments in the federal statistical service. They established a Joint Ad Hoc Committee on Government Statistics. Its report, issued in 1978, drew attention to a number of weaknesses in the present organization of federal statistics and recommended a number of corrective actions.

The committee singled out the need for more effective coordination as a high-priority item for action. In its report it stated

> It is a matter of great importance that the reorganization plan make provisions to bring the capabilities for statistical planning and coordination into realistic accord with the current volume and complexity of federal statistical activities. It is clear that even the sparest exercise of the planning and coordinating functions for such an establishment requires staff and other resources far in excess of those that were at the disposal of SPD or are now available for these functions in OMB, GAO, and the Department of Commerce. [Joint Ad Hoc Committee on Government Statistics, 1978, p. 37]

Pursuant to one of the recommendations, a Commission of Professional Associations on Federal Statistics (COPAFS) was established in 1980. Its staff is to monitor developments and facilitate actions that the associations might wish to take in relation to federal statistics.

MAINTAINING INTEGRITY OF FEDERAL STATISTICS

Politicization of the federal statistical service has long been a topic of concern and discussion. It was the concern of a committee established by the American Statistical Association and the Federal Statistics Users Conference, which reported in 1973 and noted some actions that appeared to reflect an attempt by the Administration to place some party representatives in key positions to assure greater "responsiveness" to administration needs (ASA-FSUC Joint Committee 1973; Hauser 1973). Since that time there have been some changes in Civil Service procedures that are intended to strengthen the professional character of the positions and their incumbents.

Such interference in the work of statistical agencies may no longer be the focus of attention. But there is another development that is putting great strains on the statistical agencies. That is the growing use of statistical data for administrative actions. One consequence is illustrated by the spate of lawsuits relating to the 1980 census. They reflect the great concern of users that the census data may result in losses in political power and also in funds. Representation in the Congress, in state legislatures, and in other legislative bodies is based on the census counts. Large amounts of money are moved from the federal government to state and local agencies, with population numbers as an important basis for determining the allocations to individual governmental units. The assumption that statistical results are subject to administratively determined adjustments and the willingness of judges to order the Census Bureau to make adjustments for presumed undercounts reflect a danger to the integrity of the statistical system that may become increasingly serious.

The Congress has placed significant burdens on the statistical system through its growing reliance on statistical indicators as "triggers" for action. The indexing of some wage and salary rates and of Social Security and other payments places a burden on the Consumer Price Index, because relatively small changes in the index may lead to large payments by employers and by the government. Clearly there is a need for something like a statistical impact statement when legislation incorporating statistical triggers is under consideration and for a continuing review of the impacts of changes in the techniques by which a given series of data is derived. The list of examples of such uses of statistics, which have grown gradually, could be expanded at some length. The central coordinating statistical office should be in a position to advise legislators and administrators on the limits of a given statistical series when it is to be used as a trigger. At the same time, that office should be obligated to work with the statistical agency involved to make modifications that may be needed to meet the objectives identified by the Congress. The statistical profession clearly has a stake in the outcome of the discussions among the several units of government, administrative, legislative, and judicial, on these matters.

The Committee on National Statistics of the National Academy of Sciences-National Research Council in December 1980 issued a report entitled *Estimating Population and Income for Small Areas*. In response to a request from the Bureau of the Census it had established a panel of experts to review the methods of making intercensal estimates for small areas. The General Revenue Sharing program requires current estimates of population for some 39,000 governmental units, many of which have very small populations. After careful review of the methods that are available for this purpose, the panel concluded

> The Panel recommends that the Census Bureau continue to make postcensal population estimates for all counties and for all places above a certain size. That certain size, the threshold, should be determined by a systematic evaluation of estimates against the 1980 census. The Census Bureau should not make postcensal population estimates for places with population below that threshold. [National Research Council 1980, p. 34]

The program also calls for postcensal estimates of income per capita. An examination of the data available and the methods used in the preparation of these estimates found that they are subject to errors substantially greater than those that apply to population estimates. With respect to such estimates the Panel recommended

> that the Census Bureau not make postcensal estimates of per capita money income below the county level. Serious consideration should be given to discontinuing estimates for counties as well, but a decision on this should await comparisons of the postcensal estimates with the 1980 Census. [National Research Council 1980, pp. 34–35]

The problems in relation to postcensal estimates of population and income are not isolated cases. The National Commission on Employment and Unemployment Statistics, which reported in 1979, expressed concern over small area estimates that are being made in cooperation with state offices. It concludes

> While the commission's recommendations would yield somewhat more accurate data for states and large areas, and use of these data as benchmarks for improved handbook estimates would also upgrade the more frequent state and local statistics, the commission holds no illusions about the efficacy of its recommendations in producing reliable data to satisfy the detail required by present legislation. Estimates for small areas will remain subject to large errors. . . . [National Commission on Employment and Unemployment Statistics 1979, p. 15]

The commission went on to suggest that the Congress review the allocation formulas by which federal funds are being distributed to states and local areas and noted that the congressional intent is being thwarted by the need to use formulas under which the allocations are subject to large statistical errors.

SOME NEEDED ACTIVITIES

The office recommended by the reorganization project would be expected to give major attention to the problems relating to such administrative uses of statistical data. It is also to give increased attention to maintaining a central inquiry service to aid users in identifying and gaining access to appropriate federal data. One of the characteristics of the statistical services of the United States is that a large proportion of the total output is that of the federal statistical agencies. Some major activities are being carried out through cooperative arrangements between federal and state agencies. But state and municipal agencies are the originators of a relatively small part of the total statistical output of the nation. State and local agencies are often dependent on federal data to support applications for programs involving federal funding. Private users of statistics issued by government agencies frequently encounter difficulties in locating what is needed.

The rapidly growing use of computers by private research and business groups adds another dimension to the problem of access to data, for it is often possible to provide data in more detail or in more usable form through computer tape than through the printed page. The proposed central inquiry service would facilitate access to data. A feedback of the service would be the supplying of early indications of newly developing needs resulting in an increase in the responsiveness of federal agencies to users' needs. The development of standards to ensure maximum accessibility, within the limits of laws protecting the confidentiality of individually identifiable data, is another expected gain. The ability of the office to locate duplication within the decentralized federal system would be enhanced. The service would also help to identify cases in which the use of different systems of classification makes it difficult to use data originating in different agencies.

Promoting greater accessibility to federal data cannot be allowed to impair the confidentiality of information that has been collected under pledge that confidentiality of individually identifiable information would be strictly maintained. While some data collection efforts are protected against improper disclosure through legislation, many others lack this degree of protection. The absence of uniform legislative protection hinders the exchange of information among statistical agencies for statistical purposes. There are instances of deliberate duplication of collection of data to meet the needs of two or more agencies and to enable each of the agencies concerned to meet its obligation to protect the confidentiality of the data supplied by the original respondents. If, as seems likely, there will be growing emphasis on the use of administrative data for statistical purposes, new problems in regard to confidentiality are certain to arise. This is a field that has received less attention than needed, and one that will grow in importance. Some of the judicial decisions in cases involving the 1980 census have challenged interpretations of the census law on confidentiality, which has generally been viewed as providing the strongest legislative protection.

The report of the reorganization project correctly gives attention to statistical activities of agencies that collect data only incidentally to carrying out their primary mission. Such agencies may not be in a position to include in their staffs workers with the technical expertise needed to carry on their statistical activities efficiently and under conditions that observe appropriate quality standards. Closely related are the situations in which an agency engages a contractor to perform the needed statistical activity. In both of these situations the central office should be in a position to supply technical guidance. Work done under contract has been frequently criticized as being of poor quality. Current practices and the interpretations of rules relating to the awarding of contracts and the monitoring of their fulfillment should be a continuing concern of the proposed office. Contracting for needed services may be more efficient in some situations than trying to do the work in-house, and there are private firms that do an outstanding job in fulfilling contracts for statistical jobs. But even a cursory review of a list of contracts would quickly identify instances in which the contractor and the agency would have been better served if there had been adequate technical guidance in drawing up specifications and monitoring performance. The office should be able to provide such services. As the report of the reorganization project points out,

> These contractual collections are of quite uneven quality and present new challenges to the application of statistical standards.

Improving the quality of the federal statistical product has been a primary concern of the central statistical office since it was established in the early 1940's. Two important tools were provided: 1) the review of forms designed to collect information from the public and 2) participation in the budget process. The reorganization report would preserve these tools and strengthen them. The Paperwork Reduction Act of 1980 brings back to OMB some of the forms clearance authority that had been separated by congressional action since 1973. Under the pressure of current demands and limited staff, the office has not systematically pursued one aspect of the clearance process, namely, evaluation both of the experience in the use of the cleared form and of the resulting statistics. Such evaluation could make significant contributions to the quality of federal statistics. The major statistical agencies carry on a great deal of such evaluation, but their evaluations could be made even more effective if supplemented from a point of view less constrained by immediate operating problems.

The proposal to locate the office in the Executive Office of the President has as one justification the hope that it will help to reduce the frequently voiced criticism that the statistical products are not adequately responsive to emerging needs. The director's continuing contact with the concerns of the executive office is expected to supply early warning signals of new needs for data and analysis.

The reorganization report pointed out that with the experience that has been gained since the days of the Central Statistical Board much is known about the problems that call for attention. It states that "With appropriate authority, institutions, and resources, we can do it now and do it well." Statistical policy has a great and pervasive impact on the ability to illuminate societal problems and to act on critical choices. The gains that can come from a strong central coordinating statistical office will come about only if that office is given the needed resources. They cannot be realized if the history of reduced staff and reduced authority is repeated. The report sets out the possible gains as a great improvement in the institutions of statistical policy. It does not provide an estimate of the costs involved in carrying out the recommendations. Compared to the current levels of expenditures for statistical data by the federal government, the increases needed for the office would be small.

The report suggests that the office again avail itself of the guidance that could be secured from functioning advisory committees whose members come from outside the federal agency network. Such committees could form an important link between the users of the data and the new office. The advice they give would be useful on technical issues, and would also contribute to the overriding concern in relation to organization and location of the office, which the report expressed in this form:

> The integrity of the statistical data base, coordinated by the office, should be visibly preserved and strengthened.

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Comment

LINCOLN E. MOSES*

This report is loaded with ideas; they are grounded in experience and study; they culminate in practical recommendations that one ardently hopes will be given effect. The report does appear to have accepted a handicap in making its case, a handicap of self-restraint: no horrible examples are cited. The report would be more immediately convincing and far more readable but for this (apparent) self-denying constraint.

As it stands, then, the report is harder for the reader and rather more abstract in character than are the very concrete problems at which it is aimed. This restraint may be wise, however; any cited horrible example might give birth to a nucleus of resistance to the recommendations of the report, and negative quotations can acquire immortality in Washington and outlive the justice that they may have originally embodied.

So we have a report that is rather bare of examples in presenting the needs to which it proposes solutions. Let not the reader infer that examples would be hard to supply! The needs are real enough. Two of the five principal needs, or problems, cited by the report largely reflect a shortage of statistical expertise when they occur; these are "inadequate quality" and "excessive paperwork." The other three principal cited problems relate less to statistical expertise; rather they are individual matters of some depth: "lack of policy relevance," "periodic threats to integrity," and "inadequate protection of privacy of respondents who provide statistical records."

QUALITY

Inadequate quality must always be expected when the size of data collection programs exceeds the resources of expert statistical personnel available to design, organize, and operate the programs. Excessive paperwork is also likely to burgeon when resources of statistical personnel are insufficient. The possible symptoms of inadequacy in statistical programs are varied and painful. They include

1. Unnecessary 100% collections
2. Unused and unanalyzed collections
3. Inadequate data; causes may be (a) flawed concepts, (b) faulty definitions, instructions, or instruments, (c) bad frames
4. Inadequate documentation of published data and revisions
5. Faulty methods of imputation

Three ways of addressing inadequate quality may be seen, and no one of them alone is really sufficient.

The first is to have professional statistical staff of good quality and in enough numbers. Nothing can take the place of this. My own experience of 30 months at the Energy Information Administration (EIA) provided much happy evidence of the far-reaching effects felt each time that a good professional statistician joined the staff, whether from inside government or from outside. Both leadership and training can augment the effectiveness of a cadre of strong professionals; indeed, those professionals themselves infuse leadership and training into all the work. The federal service has many willing, able, serious employees whose effectiveness in statistical programs is capable of great enhancement by the simple device of providing a sufficient leavening of technical statistical expertise.

The second way to upgrade quality of a federal statistical program is to arrange for external review, pervasively and throughout. In part, congressional oversight helps meet that need. But additionally a program can benefit immensely from regular recourse to a technical advisory committee. The Bureau of the Census has known this and turned to statistical advisory committees for more than 60 years. Other statistical agencies do the same. More recently, EIA has benefited from regular interaction with the ASA Ad Hoc Committee on Energy Statistics. Still more recently, the Nuclear Regulatory Commission has turned to a similar arrangement on behalf of its statistical work.

The third way to improve quality is to provide continuous, competent support and oversight from a central focus. This is the proposal of the report: establish in the Executive Office of the President an Office of Statistical Policy (OSP) to coordinate the federal statistical system. The functions to be conducted include many that would likely help any agency trying to upgrade its statistical output. Some of these are program planning, *for* the whole Federal statistical system, but *with* each component part; technical review; research; clearance of new collections; development of standards; and providing technical methodological assistance. These are not the only functions proposed for the OSP, but these clearly will make it directly helpful to other agencies. So, on occasion, will their review of proposed legislation affecting Federal statistical programs.

TECHNICAL ASSISTANCE

Some remarks concerning the efficacy of technical assistance are in order. To be helpful it must be timely. If interaction with OSP comes to involve troublesome delays in agency work, that will tend to undercut cooperation—and thus undermine vital interaction—with OSP. This fact calls for placing adequate resources in OSP and it also means that OSP must measure its assumption of responsibilities carefully, not taking on more than it can expeditiously achieve, especially at the outset. A program of technical assistance cannot escape the fact that it is difficult to improve an organization or its work from the outside. The energies and aspirations of those on the inside must be marshaled. The consequence is that a consultative mode of operation is necessary and that not much reliance should be placed on control, sanctions, and the like. Both these considerations, the need not to become a bottleneck or roadblock and the necessity to proceed in the slow, but productive, consultative mode, point to the danger that OSP may become overloaded. Thus, the report is right to call for adequate resources.

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There is a third comment about the efficacy of technical assistance. The report points to small agencies as being especially liable to problems with statistical quality. That is surely plausible, considering the likelihood of inadequate expert statistical staff. The same phenomenon can and does occur within a large agency, where small statistical shops are associated with several separately directed components of the large agency. The same arguments that favor a central OSP favor a central statistical group (replacing several separate small ones) in any executive department or large agency. The Department of Justice, which recently consolidated its statistics, provides a heartening example. Such centralization would make the work of OSP both easier and more effective. Presumably just such considerations underlie the efforts of OMB to have in each department a single channel through which forms clearance matters are handled.

The report identifies three large problems, other than inadequate quality and excessive paperwork, to which this commentary will now turn.

POLICY RELEVANCE

The report cogently points to the importance of assuring that the federal statistical system provide information that is relevant to the development of policy. This is a hard task; in part, it calls for guessing what sorts of information should be available in the future to address issues that will become salient. Hard as the task is, its prospects are even dimmer if no one is in charge of the job. The centrally situated OSP is a good place to assign such responsibility.

INTEGRITY OF STATISTICS

The report justly gives great weight to the need for the integrity, and perception of the integrity, of federal statistics. The statutorily established, centrally situated, OSP is a good way of supplying "systematic vigilance and stronger institutional protection." EIA's experience bears on this issue. The state of energy statistics was publicly so lowly esteemed in the aftermath of the Oil Embargo of 1973–74 that the EIA was established in 1977 with strong data collection authorities and great statutory independence to enable it to produce statistics that were not reasonably to be suspected of serving anyone's political interest. (Section 205(d) of PL 95-91 provided that "The Administrator shall not be required to obtain the approval of any other officer or employee of the Department [of Energy] in connection with the collection or analysis of any information; nor shall the Administrator be required, prior to publication, to obtain the approval of any other officer or employee of the United States with respect to the substance of any statistical or forecasting technical reports which he has prepared in accordance with law.")

In its first three years EIA almost never had to assert these prerogatives. It is worth remarking and a bit ironical that the two instances in which the EIA's independence did become salient both concerned sets of forecasts rather than statistics. (Many kinds of energy policy initiatives can take effect only slowly, so that comparison among forecasts is often a natural way to assess probable policy outcomes.) On both occasions the consequences of independent reporting were not injurious, though accompanied with commotion and tension. For such a modest price (two isolated instances), all participants gained freedom from bickering over the bona fides of the numbers underlying the description of the energy situation over a period of years. We may hope that larger infusions of statutory independence into federal statistics may increase public trust and allow political concern to address political questions rather than statistical ones.

PROTECTION OF PRIVACY

The last problem area named in the report is "inadequate protection of privacy of respondents who provide statistical records." The solution to these problems is apparently embodied in legislation drafted by the statistical reorganization project; administering the legislation would be a responsibility vested in OSP. The central location and high placement of the organization should equip it well for this sensitive and important responsibility.

More generally, placement of OSP near the center of government is a wise provision; communication across the whole federal establishment is facilitated, and the location is favorable for initiating change. Statutory establishment of the OSP is also a wise provision; the office will have a solid basis of existence and be free from vulnerability to overt and covert challenges to its existence over the years ahead.

In summary, those whose work this report is—both project staff and Advisory Committee—are due a vote of thanks from the statistical profession, and especially, I believe, from the federal statistical profession. May the recommendation of the report come to fruition!

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Comment

JAMES T. BONNEN

Conrad Taeuber, Margaret Martin, and Lincoln Moses have done such a fine job that I can only applaud their contribution to understanding the problems of statistical coordination. As the statistical reorganization project's director, I can best help readers by commenting on the purpose of the project and on some project findings, especially those concerning changes in the nature of the problem of statistical coordination that we face today.

While reflecting on the project experience recently, one of the former staff, Theodore Clemence, pointed out that this was the first major evaluation of federal statistics as a system and the first done primarily by professionals from within statistical agencies. This explains some of the differences in perception from other evaluations, as well as the different texture of much of the analysis. As project director, I insisted on and obtained superb quality staff. What intellectual distinction the output of the project attained is due to their experience, professionalism, and ability. Clemence also remarked on the unusual freedom that the Associate Director of the Office of Management and Budget, Wayne Granquist, gave the project in developing its ideas and recommendations.

The project had its origin in an interesting event early in 1977. During the presidential campaign in the late summer and fall of 1976, the monthly unemployment statistics showed a pronounced jump upward, providing the then presidential candidate Jimmy Carter with a telling issue. Following the election in November, the Carter team began developing an initial policy posture that placed a major emphasis on reversing the unemployment trend. Then in February a new seasonal adjustment formula, long under development, was routinely introduced. The newly revised unemployment statistics for late 1976 were lower and exhibited no trend after July. The January 1977 number showed a sharp decline that continued through 1977. Some in the new administration were disconcerted and suddenly aware that the things statisticians do affect policy.

Suspicious and concerned, they turned to Patrick Caddell, the president's pollster, who welcomed them to the wonderful world of numbers. He warned them that there were far more important statistical problems that would plague policy decision if national policy information needs were not well coordinated with statistical product planning, policies, and standards setting. Subsequently, Wayne Granquist, Patrick Caddell, and Vincent Barabba, former director of the Census Bureau, developed an OMB-sponsored conference on the problems of federal statistics. Thus, the statistical reorganization project had its origins in the suspicions of a few members of a new administration who were upset, almost before they could take office, by the revision of a policy-relevant statistic.

The purpose of the project was to analyze the total or system-wide performance and problems of federal statistics. Our perception, which was widely shared, was that the issues of statistical coordination constituted the most urgent problems of the system. We did not address the problems of individual agencies or any of the technical deficiencies of particular statistics.

OUTPUT OF THE PROJECT

The Final Report of the project appears in this issue of *The American Statistician*. This, however, is not the only product of the project. In the early fall of 1978, the staff drafted an "Issues and Options" paper, which describes important system-wide statistical issues and evaluates alternative ways of approaching those issues. In addition, in late 1978 and early 1979 the project designed an omnibus confidentiality statute for the federal statistical system.

The "Issues and Options" paper was not intended to be published. It was drafted for circulation to elicit a broad cross-section of critical reviews of the ideas being discussed and the options that might be implemented. The comprehensive quality of this document and the coherence of its description of the problems faced, however, caused a number of reviewers to urge strongly that it be edited and published. This was done, finally, in the February 1981 issue of the *Statistical Reporter*, a monthly publication of the Office of Federal Statistical Policy and Standards. It was from this intellectual base that the recommendations were developed that were presented in the Final Report, which was originally published in the May 1980 issue of the *Statistical Reporter*. The Final Report and the preface and a 1980 postscript to Chapter 10 of the "Issues and Options" paper together provide a chronology of events and description of the process, as well as a few observations on why some of the more interesting events took the form that they did.

With the help of the statistical agencies, the project staff prepared draft legislation to provide a common government-wide confidentiality shield within which major statistical agency products could be integrated or shared for statistical purposes without the obstacles that presently prevent full and more rational use of statistical resources. This draft statute was formally reviewed by the agencies and cleared by OMB in 1979 for transmittal to Congress but was never sent. The 1980 Paperwork Reduction Act was then in process in the same congressional committees that would have handled the confidentiality legislation. Efforts to persuade the House committee to combine statistical policy recommendations and the confidentiality legislation with paperwork legislation failed. The committee was unwilling to schedule hearings on separate legislation. This occurred late in the last session of the 96th Congress when members were impatient to act on election-year agenda items.

The confidentiality legislation is a very sophisticated piece of drafting done by Ivan Fellegi and Thomas Jabine. Ivan Fellegi did the early research, conceptualization, and outline. Together Fellegi and Jabine developed the draft, and after Fellegi returned to Canada in February 1979 Jabine patiently nursed the project all the way through agency review and OMB clearance. This is a very substantial piece of intellectual capital that should not be lost. Some day the problems created by a decentralized system in which the legal basis for confidentiality differs from agency to agency will have to be faced directly and honestly.

STATISTICAL COORDINATION: A CHANGING ENVIRONMENT AND PROBLEM

The environment for statistical coordination today is very different from that of the 1930's and 1940's, when the first mechanisms for central coordination were created. It is different from that even of a decade ago. The Final Report tries to delineate those differences.

Decades ago formal and direct linkage between statistical policy decisions and public policy decisions and action was rare. This is no longer true. Statistical policy and public policy decisionmaking find themselves today in an embrace, the intimacy and immediacy of which are very new. This embrace is enforced by the growth of government intervention in society and the increasing interdependence of economic and social sectors, which in turn cause public policies to be more interactive and to demand more immediate decisions. The consequence is that statisticians can no longer do their quiet thing quietly; statistical formulas and price indexes are used to allocate far too many public resources today. In fiscal 1979, 20 percent of the budget, $122 billion, was allocated by statistical formulas exclusive of price indexes (Emery 1980). About 30 percent of fiscal 1981 budget expenditures are automatically indexed to the CPI or other price series (DeMilner 1981a, 1981b). Conservatively, at least half of the federal budget is now allocated using statistical formulas or price indexes. The rate at which this practice and its impact have grown is phenomenal. The use of statistical formulas to allocate the federal budget was quite limited up through the mid-1960's. In 1966 no more than 2 percent of the budget was automatically indexed (DeMilner 1981a, 1981b).

This situation of a large portion of federal budget decisions being made using statistical formulas or indexes also intensifies the problem of protecting the integrity of statistics. Because Conrad Taeuber covers this well, only a brief comment is added. Statisticians no longer have the choice of whether or not they want to be involved with policy makers. The only choice left is that of how to institutionalize this relationship—which each year becomes more intense. The project found this relationship to be informed by misunderstandings and a growing negative perception of statistical performance on the part of many policy makers. The reorganization project concluded that the way to protect the potential for objective statistical policy made in such a tension with highly political public policy decisions demanding policy-relevant data is through specific institutional safeguards. It was recommended that a central Office of Statistical Policy be established as a highly visible, independent unit in the Executive Office of the President, headed by a presidential appointee subject to confirmation by the Senate. The director should be the only political appointee in the unit. The unit should have a statutory base of authority and be accountable not just to the president, but also to Congress and through an advisory committee to outside users. High visibility and multiple accountability are the best defense for integrity in an unavoidably vulnerable situation. The unit should have access to the policy decision process not only through its role in the executive office, but through establishment of a formal subcabinet committee, which would be called the Council on Statistical Policy. The council would be chaired by the Director of the Office of Statistical Policy and be made up of the assistant secretaries for policy analysis from each of the cabinet departments and members from appropriate executive office agencies such as OMB and the Council of Economic Advisers. The council would be the primary arena for resolving major statistical policy conflicts and would establish statistical budget priorities.

However this relationship is institutionalized, it is considered important that it be done well, because the implicit threat to the integrity of statistics rises as the embrace with policy intensifies. It grows at each step at which the importance of statistics to decision increases. If there is to be a "system" or if any type of "system performance" is expected of a very decentralized set of statistical agencies, statistical policy and coordination is even more important in the face of today's problems than it was in the 1940's.

Margaret Martin's excellent analysis of the nature of and need for statistical coordination applies to all levels of a system, not just at a central point. In fact, most coordination resources historically have been embedded at lower levels. The same problems that one faces in coordinating the system as a whole are also encountered within departments and within agencies. Lincoln Moses is quite correct to observe that the focus on the functions of a central statistical office in the reorganization project's Final Report tends to obscure this. While the coordination needs at the department level were recognized, it was decided early in the project staff's deliberations that the project's focus would be limited to system-wide performance problems. In a decentralized system conscious coordination must begin at lower levels, or efforts to coordinate the system as a whole become impossibly difficult. Even many of the highly centralized statistical systems of the world have come to appreciate this.

Many in the statistical community talk about the need for clout or leverage to make the coordinating function work properly. There is, indeed, a need for a high quality staff and enough substantive functions in an Office of Statistical Policy that its staff is widely respected and its services intrinsically important to the statistical system. However, it is dangerous to extend the notion of clout too far. While bureaucratic leverage is necessary, no amount is sufficient. In fact, statistical coordination efforts that assume it is sufficient are usually self-defeating.

Lincoln Moses' instinct in discussing this is quite appropriate. It is indeed a consultative mode that should generally prevail. From limited comparisons across the statistical systems of several countries it is clear that, almost no matter what the institutional setting, good quality statistical policy and coordination are best achieved in a consensual rather than a command process. One cannot unilaterally command effective cooperation across agency lines and over time achieve a quality product. Thus, the philosophy that should guide a central Office of Statistical Policy in a decentralized system is to combine service with leadership. To the extent that the Office of Statistical Policy provides effective policy leadership and needed services to the existing statistical agencies, to analysts, and to the decision makers, its functions will be valued and supported. To the extent that it regularly attempts to achieve performance in the manner of line command, it will create resentment, noncooperation, and conflict.

There are exceptions. In specific situations a command decision may very well be needed, can be enforced and should be. The origin and legitimacy of such decisions, however, usually lie at higher levels in the policy process and are often crisis driven. The day-to-day operations of statistical policy and coordination are inherently consensual. Management of decentralized statistical systems is a very complex process. No central statistical policy office, even with adequate expertise and power, can effectively coordinate such a system unless there is a corresponding investment in statistical coordination at the departmental and agency level, and a system-wide professional commitment to improving the quality and performance of federal statistics.

In my judgment, administering statistical agencies, or for that matter any agency, is far more complex, difficult, and frustrating than it was 30 years ago. The erosion of stability and authority in public institutions, including the political parties, the executive branch, and the Congress, and the decline in the capacity to make public decisions and, most important, to make them stick, mean that the day-to-day operation of an agency is a dicey matter (Sundquist 1980). In the 1940's and 1950's a statistical agency head could measure his or her performance in terms of positive accomplishments, for example, by the innovations introduced and the resulting increases in agency capability or performance. Today these agency heads are so embattled that they must be satisfied with keeping the agency intact and in meeting deadlines. Only rarely do external events allow major innovations or increased capacity.

The hierarchical structure of government and stable political coalitions after World War II at one and the same time limited and protected agencies. There were things good and bad upon which one could depend. For at least a decade, however, institutional instability and disorder have increasingly characterized the forces that affect an agency. One is continually buffeted from one direction and then the other. The environment is being politicized by the behavior described by Sundquist and by uncertainty and a corresponding lack of accountability. The motive behind the growing use of statistics for allocating federal expenditures is not so much a respect for accurate facts as it is a flight from responsibility for political decisions. One tires of hearing academics talk about how much better managed and led statistical agencies were in the 1950's and 1960's. Agency leadership today is on its own in a stormy environment and with more cannons loose on deck than anyone else has had to face in this century. Academics and other users are in debt to such leadership for many gritty performances well beyond the call of duty.

THE ROLE OF ANALYSIS

The project turned up one rather surprising conclusion upon which it had no mandate to act. It became quite clear that it is analysis that holds a statistical system in place, makes possible most communication with decision makers about their data needs, and informs them of current statistical capability. Analysis is the glue that holds all information systems together. Yet the largest single deficiency in the structure of U.S. policy decisionmaking is a lack of analysis or at least a lack of appropriately organized and managed quantitative analysis. The presidency especially is not well served in domestic policy decisionmaking. The total investment in analysis is substantial, perhaps adequate, but individual departments and agencies have seriously underinvested in analysis, and most departments, as well as the White House, usually mismanage their analytical functions because there is so little understanding, even among analysts, of the different roles and complementary nature of different types of analysis. The project's understanding of the varieties of analysis and their roles was developed by Ronald Kutscher and Charles Waite, in Chapter 6 of the "Issues and Options" paper.

What makes appropriate management of analysis complicated is that it is a very heterogeneous set of activities serving many different purposes, ranging all the way from data analysis and data validation to objective modeling through forecasting, to policy analysis that is quite subjective and dominated by political values. All of these different types of analysis complement each other and are essential if specific policy makers and particular decisions are to be well served in any unique and current policy context. To the extent that there is quantitative understanding embedded at various levels in these different kinds of analysis and to the extent that it is interlinked intelligently by good organization and management, systematic communication is possible between the statistician and the decision maker. What makes this communication absolutely necessary, and potentially lethal in absence of appropriate analysis, is that most policy decision makers, when asked, cannot specify their information or statistical needs, and few understand the relevant capability or limitations of current statistics. It is the analyst, with continuing access to a policy maker and his or her staff, who has the greatest opportunity to translate the existing policy context and decisions into specific data collection and statistical needs and to inform policy makers of current statistical capability and limits.

WHERE THINGS STAND

A decision memorandum of January 1980 from the Director of OMB to the President offered three major options for improving statistical coordination: (1) leave coordination in the Department of Commerce but with a stronger institutional setting, (2) transfer coordination responsibility to OMB with some of the institutional safeguards proposed by the project, or (3) create a new independent executive office unit for statistical coordination and policy with all the institutional safeguards and with responsibility for administering the proposed confidentiality statute. The third option was the project's recommendation. The Director of OMB and, in supporting memoranda, the Chairman of the Council of Economic Advisers and the Director of the White House Domestic Policy Staff all supported the third or project option. The president's decision accepted the project's recommendation.

Given that creation of a new independent agency in the Executive Office of the President is widely perceived as the simpleton's solution to every problem in Washington, this unanimity of support was remarkable. It arose out of an intense but episodic ten-month debate evaluating all other alternative locations, including especially OMB. The reasons why OMB was rejected as a location, even by OMB leadership, are recorded in the project's Final Report. The process is briefly described in a postscript to Chapter 10 of the "Issues and Options" paper. The subsequently enacted Paperwork Reduction Act of 1980 and recent OMB decisions now make OMB an even less viable environment.

Following President Carter's decision, an attempt was made to persuade Congress of this, but it failed. There was too little time left before elections, the critical congressional committees had their minds on paperwork legislation that at the time was in trouble, and negotiations broke down. Thus, no effective action to implement the project's recommendations occurred or is now in prospect, although an effort has been made to transfer to the new administration some appreciation of the problems of statistical coordination and the hazards posed for statistical policy and coordination by the Paperwork Reduction Act of 1980.

This act, which became law in the final hours of the 96th Congress in December 1980, completely rewrites and greatly extends the Federal Reports Act of 1942. It creates in OMB an Office of Information and Regulatory Affairs, to which is assigned responsibility for government-wide *policy and oversight* for (1) statistical coordination and standards, (2) the paperwork budget and all clearance of forms for data collection, (3) administrative records management, (4) interagency sharing of records, (5) privacy of records, (6) acquisition and management of automatic data processing and telecommunications facilities, and (7) regulatory policy. OMB recently added an eighth activity, regulatory (benefit-cost) analysis, which is intended to support regulatory policy. The act returns to OMB all final control over forms clearance, an authority that had been progressively fragmented since 1973. The features of the Paperwork Act are summarized in the January 1980 *Statistical Reporter*.

The primary assumption of the Paperwork Act is that all the functions listed in the act are information policy activities that share a common nature and should be managed together. This is a completely untested assumption that is certain to create problems, as reported in Section VI of the Final Report, including the probable destruction of the capacity for statistical coordination and policy. The Final Report of the project explains that statistical coordination is a long-run policy and planning function that lost 44 of its 69 positions while it was located in OMB's crisis-management environment between 1947 and 1977. In the new, more complex OMB environment, the chance of successfully competing with a larger number of functions, many of which have far more immediate economic or political importance and are more central to OMB's concerns, is even lower.

In implementing the Paperwork Reduction Act, OMB has transferred back from the Commerce Department only 15 of the 26 positions in the Office of Federal Statistical Policy and Standards—the same number transferred out in 1977. These 15 positions (11 professional statisticians/analysts and 4 secretaries) are now used not only for statistical policy purposes but also to provide staff support for the regulatory activities of the OMB Office of Information and Regulatory Affairs as well as for a new and rather interesting White House project on national indicators, whose purpose is to provide a flexible, on-line capability of integrating diverse data bases for policy analysis and planning. Moreover, the apparently planned elimination of the cabinet-level Statistical Policy Coordination Committee would remove statistical coordination's one formal, government-wide policy forum. One must observe also that the Office of Information and Regulatory Affairs, as now operated in OMB, is primarily a regulatory unit directed by experienced regulatory professionals. Mixing the administration of regulatory policies with statistics has long been a prescription for erosion in the real and perceived integrity of statistical decisions. In brief, the implementation is so far short of what is needed for effective statistical coördination that one can only conclude that statistical policy and coordination will, like Alice's Cheshire-Cat, slowly fade away until all that is left is a grin.

Perhaps additional action is planned, but, unless something not now in prospect occurs soon, the new administration will have missed a rare opportunity to improve the management of a critical area of government. As the Carter White House noticed, statistics do affect policy. Furthermore, without adequate and conscious statistical policy and planning there is no way to assure that it will be possible for the administration to determine, when inevitably it needs to in a few years, whether its programs are achieving their intended results, for example in having induced increased savings and investment. They are passing that point of decision now.

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Comment

JOSEPH W. DUNCAN*

The Paperwork Reduction Act of 1980, Public Law 96-511, became effective on April 1, 1981. This legislation transfers statistical policy functions from the Department of Commerce to the new Office of Information and Regulatory Affairs in the Office of Management and Budget.

In August 1981 the Statistical Policy Division was established within the Office of Information and Regulatory Affairs. The administrator of the office is James E. Miller III. Joseph W. Duncan has been named as Assistant Administrator for Statistical Policy, reporting to Thomas Hopkins, Deputy Administrator for Regulatory Analysis and Statistical Policy. He will head the Statistical Policy Division, which was established by transferring 15 of the staff members formerly with the Office of Federal Statistical Policy and Standards to the OMB unit.

The Statistical Policy Division retains all of the responsibilities that were formerly undertaken by the Office of Federal Statistical Policy and Standards. Additionally, this division has been assigned lead functions for the National Indicators System that is being initiated by White House staff. Dr. Richard Beal, Special Assistant to the President and Director, Office of Planning and Evaluation, serves as Director of the National Indicators System, and Joseph Duncan has been named Deputy Director. Since four staff positions within the Statistical Policy Division are associated with the National Indicators System, the staffing for statistical policy functions is 11 persons.

It is important to note that the combination of information policy activities within a single unit within the Office of Management and Budget is expected to make the statistical policy function both stronger and more effective than it has been in recent years. Additionally, the involvement of the Statistical Policy Division in the National Indicators System will ensure that the "policy relevance" consideration of the Bonnen report receives direct and high level attention.

Clearly, however, a number of the labor intensive activities that were recommended for the central statistical office in the Bonnen report cannot be directly undertaken in the Statistical Policy Division of OMB. Therefore, as has often been the case in the past, major statistical policy functions will continue to involve significant contributions by the major statistical agencies and others. In the months ahead, the Statistical Policy Division will evolve a greatly revised work program in comparison with past activities.

In a later issue of *The American Statistician*, an update will be presented on these new activities and functions, especially as they relate to major initiatives within the overall Office of Information and Regulatory Affairs.

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